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TWENTY-THIRD WAR NUMBER

THE ROUND TABLE

**A QUARTERLY REVIEW OF THE POLITICS
OF THE BRITISH COMMONWEALTH**

Contents of Number 139

**EUROPE DELIVERED
AMERICA AND WORLD ORDER
STRATEGY OF THE WAR. XXIII
BRITISH COMMONWEALTH RELATIONS
THE HOUSING PROBLEM IN GREAT BRITAIN
THE FUTURE OF BURMA
AIR TRANSPORT AND THE DEAD HAND
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THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS
OF THE BRITISH COMMONWEALTH

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EUROPE DELIVERED

BEREAVEMENT IN VICTORY

AMONG the shining names of history and epic a few stand out, which belong to men who, having led their countrymen through times of extreme danger towards the attainment of noble ends, perish in the moment when success is achieved or made secure. They are denied the earthly reward of transcendent service to humanity, in the honourable repose that comes when the battle is won; posterity endeavours to atone by according to them a pure and indefectible fame. For others, who after battling on the heights come down again at last to the petty arena of everyday debate, there may be recrimination and question, the laurels withered and the crown tarnished; but not for these. "They shall fear no evil report." They share in the unique renown that religious devotion bestows upon martyrs, for whom death is swallowed up in victory. Most nations treasure the memory of some heroes of this rare order; England so remembers Nelson, and America Lincoln. With these illustrious names must now be enrolled that of Franklin Roosevelt.

Between him and Lincoln, or any of the great figures of the past who in their generation have embodied the aspirations of the United States, there need be no comparison or competition; for in a sense that is not true of any elder American Roosevelt belonged to the world. He was beyond all question the truest and mightiest external friend the British Commonwealth of Nations has ever known; and was mourned as sincerely from London to Wellington as in Washington or New York. To claim more, to suggest that because for us who were not concerned with the acute controversies in which so much of the President's public life was passed his transcendent greatness stood out in clearer relief than for his own nation, would be unjust to the political discernment of Americans, who have shown as much by their actions under his leadership as by their tributes to his memory that they possess in fullest measure the capacity—which is the hall-mark of a great free people—to maintain with vigour the principles of their several parties and yet pursue with unanimous devotion the greater causes that lie beyond party. In his last years Americans, including those who continued to oppose him stoutly on domestic issues, were proud to recognize as true the image of Roosevelt that had been conceived in the minds of millions in the suffering nations of Europe, as the incarnation of the hope of liberty that had sunk so low in the years of defeat that without his championship it might have seemed about to be extinguished for ever.

Although it is the glory of England to have shone through the centuries as a beacon star for the oppressed—and never more brightly than during the death-grapple with the forces of European despotism from which we have at last emerged triumphant—it is difficult to recall any Englishman who has been revered so widely as the representative figure of human liberty. If there is any name that can be set beside Roosevelt's, not for authority,

but for the universality of the principle for which it stood and the esteem in which it was held, it is that of one who never sought or filled any public office of greater responsibility than the stewardship of the Chiltern Hundreds—William Wilberforce—who also died almost on the day of the final victory of his lifelong campaign, though he himself had long resigned the leadership to others. But Wilberforce had entered politics as the intimate friend of the younger William Pitt; and in their youth the two were close associates in the cause of emancipation; it was indeed only the vast responsibilities that fell upon Pitt in the long war years that withdrew him from active participation in his friend's unceasing fight. It may be said of Roosevelt that he bore as great a public burden as Pitt while maintaining as consistently as Wilberforce his place in the world as the most eloquent advocate and devoted champion of ideal liberty.

In its broad aspect the war career of Roosevelt recalls the memory of Pitt, as that of his associate Mr. Churchill recalls the memory of Pitt's father. Each statesman had the ambition and capacity to be a great peace minister; each entered on supreme office with the mandate to restore prosperity and social harmony to a country struggling in a morass of economic disorganization, and each—Roosevelt more fully than Pitt—had time to show his greatness in the task of reconstruction. But each was interrupted with his work half done by the necessity to turn against external enemies; and both demonstrated on the grand scale the peculiar power that may nerve the arm of a war minister when his whole heart is in the work of peace and he is moved by a noble anger against the men of violence who are diverting him from his proper service to mankind.

THE VOCATION OF AMERICA

FOR the Allies who have fought side by side with the United States in the war now ended with Germany, as in the war that already marches towards victory in the Far East, and especially for the British Commonwealth, Roosevelt stands out above all as the first statesman of the New World to comprehend the universality of the issue that National Socialism challenged in 1939. He knew that the interdependence of nations had gone so far that the time had come when Lincoln's epigram must take on world-wide significance: *the world* could not continue half slave and half free. In his thought there was a necessary confederacy of free nations for the defence of freedom; and the United States did not so much need to be brought into the confederacy as belong to it already, having only to be made conscious of its birthright of membership, and indeed of its inevitable leadership therein. But between the American people of 1939 and the recognition of their vocation there was set a gulf that history and geography had combined to deepen. The most potent strain in the ancestry of Americans had taught them that they were free men and lovers of peace who had crossed the ocean to find release from the twin scourges of Europe—despotism and war; and now their self-isolation seemed more than ever justified by the return of both to Europe in a form more barbarous and virulent than history had known. It was Roosevelt's work to guide the American mind, by the

patient and understanding stages required for the reversal of an ancient tradition that in origin was much more honourable than a prejudice, to the realization of their changed status in the world, and the necessity to re-interpret their cardinal beliefs in a new context. America was no longer a sanctuary; and the time was gone by when liberty could live as a refugee. Power unsurpassed by any nation had come to the United States, and with power responsibility; it was now the duty of Americans to carry back the banners of freedom that had been guarded for a hundred and fifty years to the reconquest of the lands, whence, according to the tradition, it had been expelled. By successive stages of increasing material help to the nations banded against Germany, Roosevelt fostered in his country the understanding that it belonged by nature to their fellowship; and the United States had become by implication full guarantors for the survival of free institutions in Europe before ever the aggression of another despotic Power across the Pacific Ocean precipitated her own armed entry into the world war.

One of the great turning-points in history occurred at the end of the Dark Ages, when Christianity, which had become more and more an affair of monks, aspiring merely to guard the last relics of a better age in spiritual fortresses amid the barbarian flood, turned again towards the world in the Hildebrandine revival and the twelfth-century renaissance, and aspired to inform and direct the life of secular society. A revolution in thought of the same order has been involved for Americans by their assumption of a predominant part in the war against Hitlerism and in the tasks of European reconstruction that fall inevitably to the victors. Franklin Roosevelt was not the originator of that trend; if any individual can claim that title, it belongs to Woodrow Wilson, though in fact forces far beyond the control of individual statesmen have long been combining to deflect the traditional lines of American policy. Nor are the powers of reaction to be underrated. It is to be expected that the foundations of Roosevelt's political thought will have to meet formidable challenge from parties appealing to the inbred instinct of Americans for the ancient ways. It remains his achievement to have planted in the mind of his country the new outlook upon world affairs and the world responsibilities of America, not as a departure from principle made necessary in supreme emergency, but as something designed to be permanent, because the inevitable expression in a new age of the doctrines on which the Founding Fathers based their polity. If Roosevelt's conception of the mission of America prevails—as in this season of stupendous victory there is every hope and expectation that it will prevail—the best guarantee is given that the whole future of humanity will move forward into the “sunlit uplands” that Mr. Churchill five years ago saw through darkness from afar.

PER ARDUA AD ASTRA

LOOKING back from the heights of victory upon the long road that has been travelled since those desperate, heroic days when none but the British people doubted the imminence of their final destruction, it is now possible to see the whole process of the war as a progressive manifestation of the invisible

bond that links all free peoples in a league of mutual protection. After the fall of France, when the world, friendly and hostile, expected the immediate submission of the British Isles, it is literally true, though it will probably never be believed by those who were not present, that the people at large did not even consider the possibility of ultimate defeat. What then looked to the dispassionate observer like obstinate folly has now vindicated its right to be recorded in history as sublime faith: a faith in due course supported by works, but all the magnificence of the national achievement in the five succeeding years—the prowess of the little band of fighter airmen in the Battle of Britain, the endurance of the town populations in the terrible winter of 1940-41, the dedication of the whole manhood and womanhood of the nation in a universal mobilization that has never been approached for completeness by any other country, the ceaseless warfare of the navy and the merchant marine, and then the long chain of victories on land, from Alamein to Milan and from Caen to Hamburg—all was implicitly contained in the act of faith that was made but not even formulated in the last days of June 1940. If it had been formulated, it could only have been as an act of faith in the justice of the cause; but if it had been necessary further to rationalize it, then the average Englishman would probably have said that, provided the flag of freedom was by some means kept flying, over however small a beleaguered area, the liberty-loving and peace-loving Powers of the world must sooner or later come to the rescue.

Certainly the Prime Minister, who was planning in those days boldly and largely for campaigns of years ahead, perceived from the outset the true importance of British resistance, which was to keep in being a nucleus round which the vast potential forces of the free countries would ultimately rally. This was to be the war of an expanding brotherhood; and until new members were added to it, reliance must be upon the brotherhood already in the field, consisting at that time solely of the British Commonwealth of Nations. Therefore Mr. Churchill, in full accord with the Governments of the sovereign Dominions, who stood unquestioningly in the hour of disaster by the pledges they had given at the outset of the struggle, planned from the first an imperial strategy, designed at all costs to keep communications open between the British nations dispersed about the globe. The implication, that in order to maintain the stations essential to sea power, on which the continuity of the imperial system depended, risks must be taken that might expose the British Isles themselves to invasion and conquest, was confidently faced; and upon that courageous decision, perhaps more than any other, has hung the issue of the war. For sea power has held fast throughout, and has performed its ancient double function in strategy: it has provided the connecting chain that enables the gathering hosts of liberty to form their line of battle, and it has hemmed the enemy within a band of investment that he must ultimately attempt to break or perish. In conformity with the strategic law that long ago sealed the doom of Bonapartism, Hitler's Germany was compelled to make its bid to break out of the ring by striking eastward, and so brought into action on the Allied side the inexhaustible man-power of the staunch Russian republic; and the second effort of the National

Socialist diplomacy, which essayed to raise the siege by invoking the Asiatic confederate to break the ring from outside, made the issue certain by ranging the most powerful state of the modern world finally in the belligerent ranks of the United Nations.

UNCONDITIONAL SURRENDER

FROM that time the issue has been determined and ineluctable. The powers of darkness indeed must needs have their hour; half of European Russia was ravaged, and the Anglo-American forces suffered grievous and humiliating disasters before the tide turned. But the strategic necessities worked themselves out with majestic rhythm to the enemy's undoing. The stages through which the tremendous tragedy moved to its climax and resolution are surveyed in this issue by the correspondent of THE ROUND TABLE who has followed through twenty-three quarterly numbers the manifold vicissitudes of the European war. The end is a cataclysm so awful that the imagination quails to contemplate it; and history may be searched in vain for a parallel to the prodigy of defeat and ruin that Germany presents to-day. The barbaric military Power, which but thirty months ago held in its grip the lands of ancient civilization from the Atlantic to the Volga and from the North Cape to the approaches of the Nile, has been broken and rent and scattered until its surviving commanders think themselves fortunate to have the opportunity of surrendering their demoralized troops by millions at a time. The proud cities of Germany have been ground into powder by the remorseless hammering of that air weapon which the German leaders themselves unloosed upon the world in cold calculation that it would suffice to bring them absolute victory before the danger of retaliation need be considered. With their destruction the means of sustaining the industrial resources of German life have been all but obliterated. The hosts of foreign helots on whom the aggressors had relied to grow the crops to maintain the food-supply of the nation while its armies pursued their career of conquest have been released and dispersed towards their native countries, leaving the fields of Germany waste and desolate as they have not been since the Thirty Years War, or even since the Black Death. In the midst of it all the maniac despot, who so lately was being accorded half-divine honours, has perished obscurely, no one quite knows how; while across the Alps his forerunner, associate, and acolyte has died like a dog.

The dimensions of the drama are too vast for the mind immediately to contemplate. Yet ever since the full enormity of the Nazi-Fascist conspiracy was revealed five years ago, all must have felt it inevitable that in some such thunderous cataclysm of blood and fire the tyrant empires must go down to their doom. For this was no attempt by two nations of the European family to gain for themselves such a place among the Powers as elder states had long enjoyed, but a challenge to the very foundations of civilization and morals, an attempt to reverse the current of human progress as it has been painfully sustained through the vicissitudes of two thousand years, a threat only to be met in pitched battle of absolutes, internecine, not to be compromised until one side or the other was totally destroyed. Nothing less

terrible than the present plight of Germany could bear witness to future ages that in earthly affairs justice prevails at last, as the British people in 1940, by their defiance of power that seemed omnipotent, declared their faith that it must prevail.

The story is told of the great scholar William Paton Ker, a man of few words but all of them profound, that in 1918

on the day of the Armistice he sat silent among men who were talking in his club. They said this and that about the war, about the peace, and W. P. Ker said nothing. Then, in a lull, he murmured "God is not mocked", and went his ways.

There is nothing to be added to those four words in exposition of the still more terrible fate that Germany has brought upon herself at the hands of outraged civilization to-day.

BEYOND VICTORY

At the end of this fearful trial of strength the United Nations find themselves masters of a Europe in which the whole social and political order has to be built anew—in Germany with scarcely even the wreckage of the old surviving as foundation. In the Far East there remains a stern last phase to which all their applicable power must be devoted; and in a little while they will be masters of the world. It is an exalted charge and a most grave responsibility.

The responsibility has indeed been foreseen, and the plans that have been concerted in advance for its discharge are now in train for fulfilment. The apparatus of Allied control is being set up in Germany, and measures of necessary severity are being taken to ensure that, so far as human foresight can provide, the power of Germans to resume their predatory career shall never be permitted to revive. By a fortunate combination of circumstances, which may be more than coincidence, the delegates of the United Nations are assembled at San Francisco at the very moment when the overthrow of Germany is consummated, and engaged in their august task of drawing the lines of the future order of the world. For them is the challenge to place power and justice in their right relation in world affairs—one of the eternal problems of international society.

Yet when the havoc of the great tempest has been at last allayed, it may be found that the soul-searching experience of world war has wrought a change of heart in common humanity that goes deeper than the issues that can be debated in an international conference. The delegates to San Francisco are charged to erect the future structure of world peace upon the foundation of agreement between national states; and rightly so, because these states have fought and conquered, and in a desolated world there is to-day no other institutional foundation on which to build. It has nevertheless to be recognized that the hold of the national state upon the conscience of men is not now so absolute as it seemed six years ago. On the elementary level war has at least shown that self-sufficiency, so hopefully pursued in pre-war politics, means for a small nation defencelessness, and may make a great Power an intolerable threat to the whole world. The fundamental assumption, which has ruled international society for four hundred years and is still the necessary starting-point of negotiation, has come into question

at a level of thought that does not yet directly affect politics. There has been a widespread reversion to the ancient idea of a natural law, of higher validity than the law enacted by national states, which is the test by which the binding force of their statutes is to be measured. Such a line of thought is implied when conscience in the United Nations, passing beyond the domain of its undoubted right to exact retribution for crimes against the laws of war, revolts at the enormities revealed in Buchenwald and Belsen, and demands that condign punishment be inflicted on the guilty, even though the wrong has been done by Germans to Germans and within the legal territory of the sovereign German state. Antigone speaks again to the modern world:

οὐδὲ σθένειν τοσοῦτον ψόμην τὰ σά
 κηρύγμαθ', ὥστ' ἄγραπτα κάσφαλῇ θεῶν
 νόμῳ δύνασθαι θνητὸν ὄνθ' ὑπερδραμεῖν.
 οὐ γάρ τι νῦν γε κἀχθές, ἀλλ' αἰεί ποτε
 ζῇ ταῦτα.

I thought not that thy decrees had such power that thou, being mortal man, couldst overpass the unwritten and inviolate ordinances of the gods. For these things are not of to-day or yesterday, but live for ever.

The same sense of a natural law is implicit in Mr. Roosevelt's doctrine of the four freedoms and in the text of the Atlantic Charter; indeed, it can never be wholly forsworn when American influence is exerted in world affairs, for it is embalmed in the political scriptures of the United States—the Declaration of Independence and the Constitution.

It may prove to have been one of the fundamental services rendered by the American Republic to humanity, that it has transmitted in lapidary language to posterity the doctrines that were prevalent among the great thinkers of the eighteenth century, and so caused all Americans to grow up in the faith that there are some political truths that are self-evident, and some human rights that are inalienable. In the horror of the civilized world at the revelation of the results proceeding in Germany from the contrary belief—that all rights depend upon the grace of the absolute state, against whose will no universal law may be quoted—there has been a general revulsion towards the old teaching.

The movement is popular; political philosophers and jurists have not as yet been much affected by it. It has not become sufficiently coherent or defined to influence institutions; the work of the San Francisco Conference remains necessarily within the boundaries of international law, which is concerned with the relations between sovereign states, and cannot inquire into their regard for the universal rights of their subjects. Yet there exists this profound determination bred of the experience of this war, that men and women, because their rights are prior to their national allegiance, must be protected against the arbitrary will of such a state as was destroyed on May 8.

Into this larger expression has now passed the campaign for the vindication of the rule of law on which Great Britain and France embarked six years ago. The decisive legal step in the emergence of modern civilization was taken when men learned to think of the violent transgression of the rights of one

individual by another, not as private wrongs, to be pursued by blood-feud or settled by money compensation, but as offences against the King's peace. In the next phase of human progress recognition may be demanded for a Peace of Man, which is broken whenever and wherever violence is done to fundamental rights, and indeed by the very existence of such forms of tyranny as the United Nations have now combined to overthrow. This Peace must be protected by the reign of a natural or universal law; and in a world that has for four centuries been accustomed to understand law only as the command of a state, the development of some form of universal society, transcending the authority of national states, will become a logical necessity. In the long period of tranquillity which the world hopes to secure under the protection of the League to be founded at San Francisco, these ideas may have time to germinate and reach constructive stature, and issue at last in some organic society, capable, in Bryce's words, "of satisfying the need men have to find a consecration for power, and a tie which shall bind them together and represent the aspirations of collective humanity".

AMERICA AND WORLD ORDER

THE DWINDLING STRENGTH OF ISOLATIONISM

AS the San Francisco Conference met, American public opinion was by all indications more ready for a strong program of international peace-preserving action than at any time in its history. A few days before the Conference assembled, the Gallup Poll, which has shown remarkable accuracy in measuring opinion on presidential elections, took a survey on the question: "Do you think the United States should join a world organization with police power to maintain world peace?" The question was answered "Yes" by no fewer than 81 per cent of those queried. Only 11 per cent said "No" and 8 per cent said they had no opinion.

This resounding majority has rarely been equalled on any issue of domestic or foreign affairs. Of course it represents a sharp change from the past. In 1937, when the same question was asked, the results were: Yes—26 per cent; No—59 per cent; No opinion—22 per cent. In 1941, just before Pearl Harbor, the results were: Yes—38 per cent; No—39 per cent; No opinion—23 per cent. And in 1942, after a year of participation in the war, the results were: Yes—59 per cent; No—22 per cent; No opinion—19 per cent. To-day's great majority also represents an increase since last year, when the Dumbarton Oaks draft was prepared. The test then showed: Yes—72 per cent; No—13 per cent; No opinion—15 per cent.

In addition, the indications are that American opinion regards the issue of joining a world league as of great importance. "How important", the Gallup Poll asked, "do you think it is that we join such a world organization—very important, fairly important, or not too important?" Those questioned replied: "Very important—83 per cent; Fairly important—11 per cent; Not too important—3 per cent; No opinion—3 per cent."

One does not have to believe such public opinion polls to be infallible—although all politicians take them very seriously—to see that we have here a great and significant indication of sentiment. Since the American form of government does not permit general elections on specific issues, the polls are one of few available and impressive checks to support or dismay a President or the Congress. However, support for international co-operation, while never before so strong as today, has been a perceptible majority view for several years. Isolationism has been definitely rejected by the voters generally for the last two biennial elections, although individual isolationists can still get elected here and there.

Another striking sign of the times came during March when, in the old, conservative state of New Hampshire, the voters met in their picturesque and ultra-democratic "town meetings". These gatherings, whose only parallel is in some of the Swiss Mountain cantons, bring all the voters of the town to an all-day meeting. There, with one of their number as "moderator", they debate without let or hindrance the issues of town welfare.

They vote funds for highways, schools and other important matters, and they elect town officials. Government is in the hands of a board of three "selectmen" who are elected at the meeting. No one who has ever attended one of these town meetings can forget the rugged simplicity, freedom of speech and ultra-democracy of the proceedings. The meetings are only possible where the towns are fairly small—from a few hundred to a few thousand population.

Once in a while the towns debate a matter of national or world importance, and so it was in New Hampshire this year. The following question was on the "warrant" (agenda) of the meetings: "To see if the town will vote to support United States membership in a general system of international co-operation, such as that proposed at the Dumbarton Oaks Conference, having police power to maintain the peace of the world." The question was debated in lively fashion. In all 224 New Hampshire towns the vote was 18 to 1 in favor of international co-operation. The result, like the process, was thrilling.

Now, this is not to say that Americans understand the specific issues of the San Francisco Conference. Their sentiment follows general lines. But on some definite points they react very sharply. When, in March, it was revealed that at Yalta Marshal Stalin had asked three General Assembly votes for the Soviet Union, and that President Roosevelt had decided to ask for three votes for the United States, the American popular reaction was sharp and critical. Indeed, so vigorously did the country express its opposition to multiple voting privileges—and without benefit of public opinion polls—that President Roosevelt withdrew the suggestion that the United States should ask for more than one vote for itself. It was a vivid illustration of the authority of public opinion.

The episode left the unpleasant suspicion that there may have been other secret understandings at Yalta. While Americans are more or less reconciled to the inevitability and utility of Big Three meetings, they are opposed to a man to secret commitments. If the meetings must be held in secrecy, they want the communiqués—when they do not relate to military security—to be completely full and frank. They now see that the report on Yalta was only partial, and they have some basis for assuming that the full facts have not yet come to light. They will welcome the day when military security can no longer be used as a cloak for diplomatic understandings of far-reaching character. This is one more point on which Anglo-American and Russian thinking requires mutual adjustment.

THE INNOCENCE OF UNCLE SAM

THERE is another fact in this connexion which others ought always to keep in mind. Americans still have a terrific inferiority complex in diplomacy. The late Will Rogers coined a phrase which will stick long in American memories: "The United States never lost a war or won a conference." However specious the aphorism, probably more than three-quarters of the citizens of this nation think it is true. Diplomacy has long been a scorned profession. State Department officials have been called "cookie pushers"—

cookies being American for what you eat at pink teas.* Even now, the salaries and expense allowances of our diplomatic corps are too low to permit anyone without a private income to thrive therein. The foreign service does not attract our ablest men.

Even so, we do not justify the inferiority complex: our diplomats and political horse-traders are not so stupid as all that. But the public think they are, and they conceive of all foreign diplomats as paragons of shrewdness and guile. Thus, American public opinion is always ready to jump to the conclusion that we have been trimmed every time we enter an international meeting. Usually we think of the British Foreign Office as being the clever party of the second part. Thus, one highly-placed American who ought to know better described the American proposals at Bretton Woods as "to permit Great Britain to reach through the palings of the fence and milk the American cow" while the British plan was "to go right through the fence, milk the cow, and cut her up for steaks". That is how suspicious and fearful we often are.

And so in the many negotiations which loom ahead of us, especially those in economic fields, it will be an uphill job to convince Americans it is to their own interest to contribute to overseas rehabilitation as heavily as we shall doubtless have to do. This is the 1945 version of the old war debts question. Happily, lend-lease gives us a formula which we believe will avoid the protracted plaguing of the war debts question. But not completely. Lend-lease extensions after the collapse of Germany will be increasingly difficult, and the problem of further advances for food and rebuilding, the disposal of American equipment left scattered abroad, and many other post-fighting adjustments will require great wisdom in handling.

It is well to realize that there is a constant stream of gossip in all parts of the world, seeking to spread mistrust between Britain and the United States on all these issues. Currently, there is a widespread rumor in the United States that we have to pay Britain a head-tax for every American soldier who lands in the British Isles. I have heard this story repeated as fact in a dozen sources. Not long ago it was as confidently asserted that the British Government charges rent for the use of England by the United States Eighth Air Force. And way out in Tarawa, in the Gilbert and Ellice Crown Colony, otherwise intelligent officers and enlisted men assure you that the British are charging the United States from fifty to one hundred thousand dollars a year for the use of the island, which we won at such a cost from the Japanese. It is an accepted fact in the Officers' Mess at Tarawa that the British demand five dollars for every coconut tree the Americans destroy and collect fifty dollars per month per Gook in the native labor corps. (A Gook is a Gilbert Islander.)

These rumors have no great effect upon the friendship between the Americans and the four British officers on Tarawa, but they have spread from neighbor to neighbor in the United States and have been printed as

* A pink tea, which some English readers may find less immediately intelligible than cookies, is afternoon tea in the more antique tradition, including proper punctilio with the sugar tongs.—*Editor*.

fact in papers and magazines. They touch not only Tarawa, but nearly every part of the world.

This does not mean that Americans naturally suspect the British, and refuse to give them the decent benefit of a doubt. It means that a constant and ancient propaganda just as effective as a Nazi propaganda line is still in dangerous operation. It means that there are people who are definitely opposed to Anglo-American co-operation—who believe that the things for which the British and Americans stand are inimical to their interests.

As far as one can observe, British officials and press officers, with their customary reticence, believe it is undignified to deny such rumors. The reverse is true. It is dangerous to leave them undenied. No job could be more fruitful for the British Information Service in the United States than to make a comprehensive and staggering compilation of the lies about the British that are circulated here, and then specifically give the evidence that denies them. Only a start seems to have been made in this work.

A PROPHET OF THE WORLD STATE

THE fear of Americans that they are being "done" may be one of the largest hazards to the peace. It should be disproved and counteracted. Perhaps the best thing would be to appoint the ablest possible Americans to the negotiating jobs. That may well be the case at San Francisco, where our delegation has several strong members, notably the Republican leader, Senator Vandenberg. This outstanding minority spokesman has presented eight amendments to the Dumbarton Oaks proposals. His suggestions are entirely constructive and not particularly controversial. He wishes to introduce a concept of justice and the rights of man at several points in the proposed charter. Emphasis on this noble ideal will probably find ready acceptance. Secondly, Senator Vandenberg wishes to make definite provision for peaceful change and adds an amendment to that effect. Feeling, as so many do, that one of the shortcomings of the League of Nations was its inability to promote evolutionary and peaceful changes, he wishes to underline this possibility in the new charter. And, thirdly, the Senator wishes to give the General Assembly a bit more power by removing an explicit prohibition of the Dumbarton Oaks draft, which would prevent it from initiating recommendations on peace and security, if the issue is being dealt with by the Council. Doubtless many small nations will agree with Senator Vandenberg. The Michigan Senator has not come nearly so far with his proposals as former President Herbert Hoover did. This is a satisfaction because in some respects the former President's ideas leaned in the direction of decentralization and limitation.

Senator Vandenberg's fellow-Republican delegate, Commander Harold E. Stassen, goes considerably farther in the opposite direction. Commander Stassen is one of the ablest young American political figures, and a definite possibility for the Presidential nomination in 1948. He is just turning 40, and resigned as Governor of the large state of Minnesota in order to enter the Navy. He has been serving actively in the Pacific on Admiral Halsey's staff.

Commander Stassen believes in the ultimate necessity of world government. He approaches the question practically and gradually, but with deep and impressive conviction and reasoning. They are a good illustration, first of his own bold thinking, and secondly of the sound training in world affairs given in some of our state universities. Commander Stassen derived his ideas during the period when isolationism was politically rampant, but when American thinkers were teaching clear and logical history and political science in the universities. He is a graduate of the University of Minnesota.

Commander Stassen outlines what he regards as seven cardinal points of American policy. They are so lucid and interesting as to deserve summary at length:

"First: That as a nation we will join with our present allies at San Francisco to build a definite continuing organization of the United Nations of the World, based on justice and law and insured by force. That we will seek gradually to develop a new and higher level of government, with legislative, judicial and executive functions, and with world-wide jurisdiction, for the future peace, progress and well-being of mankind. That we are and will continue to be interested in what happens in every other part of the globe. That this is one world.

"Second: That we do not subscribe to the extreme view of nationalistic sovereignty, that we realize that neither this nation, nor any other nation can be a law unto itself in the modern world, and that we are willing to delegate a limited portion of our national sovereignty to our United Nations organization, so that it may be effective in the tasks we expect it to accomplish. That we hold that true sovereignty rests in the people, and that there is and must be a law of humanity above and beyond the narrow rule of nationalistic, absolute sovereignty.

"Third: That we consider that the future welfare and peace and happiness of the people of America is inseparably intertwined with the future welfare and peace and happiness of the men and women and children of the world.

"Fourth: That we will use the enormous productive capacity of America and the reservoirs of capital and credit and technical skill to contribute to the gradual advancement of the standards of living of the peoples of the world, not as recipients of charity, but as self-respecting men and women of dignity and of pride.

"Fifth: That we believe in the freedom of information through press and radio and school and forum as a vital factor in the peace and progress of the world and in the fulfilment of the dignity of man.

"Sixth: That those who were aggressors in this war shall be stripped of all means to make war and shall remain so stripped. That we propose to remain strong on land, at sea and in the air, and will join with Russia and Great Britain, China and France and the other United Nations in furnishing police power in the world.

"Seventh: That we are and propose to remain a democracy of free citizens with an economic system of private capital and individual enterprise. That we will constantly seek to improve the functioning of our system, both as to freedom and equality of our citizens and as to the success and adequacy of our economy. That we will explain our system to the world but will leave it to the peoples in each nation to decide for themselves their own form of government so long as they do not trample on basic human rights, or threaten the peace of the world, or transgress upon their neighbors. That we will permit our own citizens to learn of any other form of government they wish to study, but will not permit any other government to seek actively to undermine our own."

I think readers will agree that this is a magnificent credo. While it does not have the spiritual eloquence, let us say, of Woodrow Wilson, it has a fine and stable moderation and common sense showing through its idealism. The Stassen position is very much more advanced than anything President Roosevelt has yet said,* and manifestly it is ahead of the thinking of the American people generally. It may, however, be in tune with the times. It may be that Commander Stassen is one of the few world leaders seeking to win the next peace, rather than the last one.

SECOND THOUGHTS ABOUT YALTA

As a background to these forward principles, we may usefully review American developments since the first of the year. In the weeks before Yalta, events were threatening American unity. Stalin had recognized the Lublin Government, London and Washington stuck to the Polish Government in exile. The Greek situation was painful. Differences between London and Washington left the struggling Italian Government in confusion. The gloomy outlook filled the nation with foreboding, intensified by the severe military situation in the West.

The first break in the gloom came when Senator Vandenberg proposed the United States join our allies in a treaty guaranteeing the perpetual demilitarization of Germany, with a commitment to renew the war by executive action if it should become necessary. The proposal—more for its spirit than its specific terms—met with sweeping American approval and punctured our diplomatic aloofness. Then the Italian and Greek situations were considerably clarified—Mr. Churchill's personal visit to Greece again deeply impressed Americans—and Yalta followed.

First impressions from the Crimean meeting were good, although a sharp attack began on the Polish settlement by Polish-Americans and their friends, notably in Roman Catholic circles, and among old isolationists. But nobody suggested what the United States could do to obtain a more favorable settlement from the Soviet Union. Opposition, as so often before, was taken out largely in political and editorial oratory. Unfortunately this sort of attack did nothing to render more confident and co-operative our relations with Russia, and while inevitable it was untimely and harmful.

When word of the Yalta voting agreement came out, and then after a time the multiple-voting deal, confidence was again shaken. On the voting agreement, however, there was considerable reassurance for American isolationists, if they would only be logical. For the absolute veto given the great Powers meant that none of them would be obligated to sanctions contrary to its own positive decision at the time. The veto proposal made very much less difficult the question of the authority to be granted by Congress to the American delegate on the Security Council. Since sanctions could not be voted by the Council against one of the big Powers, the amount of war-involvement power to be in the hands of the delegate was vastly reduced.

A second veto power was involved in the Yalta draft which seemed to

* This article was dispatched from the United States before the death of President Roosevelt, to whose memory tribute is paid in the article entitled "Europe Delivered".

be obscured rather than revealed by State Department explanations; and it was only brought to light by newspaper enterprise. But in the proposed draft of Article VIII, under which a Council member is required to abstain when the question of peaceful settlement of a dispute comes up in which the Power itself is involved, it is clear that each of the permanent members may veto the consideration of a dispute in which any other Power save itself is involved. Thus the veto rights of the Big Five are absolute: a flat veto over all sanctions cases, and a veto over peaceful settlement cases in each instance where a Power itself is not involved. If the first test of the United Nations organization should come, as well it might, between two smaller Powers, and if the issue of pacific settlement arose, it could be vetoed by any of the permanent Council members.

Americans are coming to realize, however, that no charter or organization can be more effective than the policies of its individual members. They know, judging at least by their own policies, that they cannot now bind themselves to coerce—or attempt to coerce—some unknown combination of great Powers. They are beginning to sense that physical power is arriving at a sort of balance: that the United States, Britain and the Soviet Union have a virtual monopoly on modern armaments, and that an effort of any one or two of them to coerce the other two or one would produce only a terrible war with highly dubious outcome. And they think that if world power is really in this state of balance, then there is some hope for a period of peace during which the organization for peace may gather strength, habitude and confidence enough to progress ultimately to the “higher level of government” of which Commander Stassen spoke. At any rate, during the remainder of the war both in Europe and in Asia, and for some time after, they are confident they can obtain nothing from Russia by threat since coercion would be impossible folly.

THE CHAPULTEPEC CONFERENCE

MEANTIME, the question of regionalism within the United Nations organization has been raised by the Chapultepec Conference. Some Americans, among them former President Hoover, would like to transfer everything possible from the central organization to its regions. Such a tendency, while recognized to be of practical utility when held within bounds, and so outlined in the Dumbarton Oaks draft, is also capable of weakening American participation in the central body. What it might do in Europe and Asia is equally dubious.

The Chapultepec Conference stipulated that its procedures shall be consistent with the principles to emerge at San Francisco. But how far regionalism shall really go remains to be seen. That is, surely, one of the major problems of San Francisco.

Shorn of this great issue, the Mexico City meeting most substantially improved inter-American affairs. The whole mechanism of collaboration between the American republics was strengthened. A constructive beginning was made toward solving the post-war economic problems of the Western Hemisphere. The political and military facilities of the American republics

for dealing with possible aggressions—of Argentina or any other Power—were strengthened. In everything but name, a Pan-American League of Nations has been achieved, and the rôle of the United States has been appropriately softened. The Act of Chapultepec provides that when aggression occurs or is threatened, from within or without the hemisphere, against the territories or the independence of an American nation, the other American republics shall consult and take jointly whatever diplomatic, economic or military steps may be necessary to repel or prevent the aggression.

This Act was speedily followed by Argentina's declaration of war against Germany and the recognition of its Government by the American republics. Whether the speedy acceptance of the present régime in Argentina will serve the cause of peace and democracy in the Americas remains to be seen. Some acute students of the problem are convinced that it puts Washington's seal of approval on Fascist régimes, and that they will be strengthened in Brazil and given greater hope of coming into power elsewhere. That remains to be seen. Certainly, behind Mexico City's façade of unity, lie—even in democratic Mexico itself—powerful Fascist challenges. The Spanish Falange, linked with clericalism and an ultra-nationalism which is as fervent as anything Germany saw, now holds authority in Argentina and is actively agitating in several other nations. It is dynamic, challenging, corrosive. Democracy has by no means turned the corner in the Americas.

Thus was the stage set for San Francisco: American opinion, despite shocks and set-backs, eagerly ready for participation in a world league; watching the break-up in Germany gratefully but with forebodings for the future; and on the whole entirely convinced that the problems of the peace will be no less than those of the war. This atmosphere, with all its cross-currents, is nevertheless healthy.

United States of America,
April 1945.

STRATEGY OF THE WAR. XXIII

FATAL INEPTITUDE OF THE GERMAN COMMAND

SINCE the fall of Lucifer the collapse of any great personality or organism, even though evil, has been awe-inspiring. There has been a sense of being witnesses or agents of some more than human purpose and plan. So it is when one contemplates the collapse of the German *Wehrmacht* during the past three months. Disintegration has been at once more rapid and more irrevocable than in the last five months of the war of 1914-18. Indeed, the better analogy is not with that war at all, but with the collapse of the Napoleonic Empire. It is, of course, grotesque to compare in any way the Corsican with the Bohemian Corporal, and most grotesque of all to compare them as soldiers. But Napoleon's Empire had a running ulcer in Spain, where more French soldiers were contained than fought at Borodino. Hitler's Empire has had a running ulcer first in Africa and then in Italy. Both invited and received mortal military wounds in Russia. Both writhed uncomfortably under the pricks of the implacable hostility of Great Britain. In short, the causes and the course of the fall of both were roughly the same.

The classical scholar may perhaps go farther and see in the fate of both that chastisement of ὕβρις which the ancient Greeks took a sombre pleasure in recording. But here we must concern ourselves with the physical rather than the metaphysical causes. This great machine, which has now collapsed, deserves no pity. Upon any human calculation of probabilities it ought to have won, and would have won had its engineers possessed their vaunted intelligence. It may be convenient to list their grosser strategical errors, and also the points wherein they showed some originality and military skill.

Outstanding among the latter was the "phoney war" of September 1939 to May 1940. This was a bright idea. As their machine was fully geared up, their military superiority increased every minute. Moreover, their conduct of the campaign of May-June 1940 was excellent. The best point of all was probably not so much their use of armour and air power as the fact that only ten days elapsed between the utter defeat of the Allied northern armies and the opening of the Battle of France.

At this point their errors really began. It was, in the military sense, quite criminal not to polish off Great Britain while they had a most excellent chance of doing so. The calculation that we should not be able to invade Europe for a long time was accurate—it took us exactly four years. The calculation that we should yield to air bombardment and the submarine blockade alone was silly; and due to the fatal mistake of under-estimating an enemy.

The attack on Russia is usually thought to have been their greatest piece of folly, and so in retrospect it appears to be, because this move also was dictated by an under-estimate of the enemy's strength. The mistake is inexcusable. If there was anything about which the German High Command

ought to have been well informed, it was the true strength of the Red Armies. Events showed that its information was incomplete and misleading. In spite of the Russian mistake of concentrating too far forward and therefore incurring immense losses in the first three months, there were reserves enough to save Moscow and Leningrad and thus to foil the German calculation of swift and total victory. Even so, they might have won in the 1942 campaign but for the gross error of dividing their forces after the capture of Rostov and sending part towards Stalingrad and part into the Caucasus towards the Caspian oilfields. This was the fatal tactical error; but even so Fortune fingered the dice for a long time before throwing them in favour of the Russians. History will show what a close call it was; and that means that the help given to Russia, though intrinsically small and far below what sentiment expected or desired, was extremely important. The help included:

(1) The campaign in Greece, apparently a costly defeat, which may have delayed for some vital weeks the opening of the assault on Russia in June 1941.

(2) The furnishing of supplies by the Murmansk and Persian routes. During the critical 18 months about 2 million tons were delivered by the Murmansk route alone.

(3) The North African campaigns. These kept the Italian contingents in Russia down to small dimensions, and diverted about 100,000 crack German troops.

(4) The garrisons which the Germans had to keep in occupied countries were also an important relief to Russia; but, in fact, these garrisons were partly composed of divisions which would have had to be rested in any case.

(5) The British and (later) the American bombing offensives. Personally, the writer thinks that they did little permanent damage, but they did tie up important forces in A.A. and *Luftwaffe* defence and in repair work; and there are instances such as that of the Rhein Metall works at Dusseldorf where the Germans themselves testify that a very large decrease was caused in production. Plant was often displaced, even when it was not vitally damaged. In one respect the history of 1918 repeated itself. Then a broken Russia was not very dangerous in the military sense, but Ludendorff kept a million men in the East to garrison occupied territories. That may have made the difference between victory and defeat in his spring offensive. In 1941-42 similarly, apparently small diversions added up to a good deal, even though the Anglo-Americans were, on the whole, militarily impotent except in Africa, and may have made all the difference between victory and defeat in Russia.

Resuming the tale of German follies the next two on the list are hanging on too long at Stalingrad and heavily reinforcing Tunisia. Between them, these two mistakes cost Hitler some 400,000 of his best soldiers and severely impaired his prestige. In both cases the error was caused by under-estimating the enemy, and in the latter case another antique mistake seems to have been repeated, namely, too great confidence in the ability of submarines to interfere with water-borne expeditions. When the military tide definitely turned, Hitler, or whoever was in supreme command, seems to have lost any vestige

of military sense he had ever possessed. The "hedgehog" principle of leaving garrisons in strongly fortified islands in an advancing enemy tide had something to commend it in 1942 when there was real hope that the Russian winter counter-offensive could make only temporary advances. It became military suicide when, as declared by the Germans themselves, their strategy definitely passed from the offensive to the defensive. If that decision was in principle correct, the policy of concentrating within the shortest defensible lines consistent with maintaining German economy should have been pursued early and ruthlessly. In the writer's opinion if all substantial forces in the East had been withdrawn to the line of the Vistula with a defensive flank along the Carpathians (including Bohemia); if the forces in Italy had been withdrawn to the Po; if the line in the West had been deliberately taken back to the Rhine between Switzerland and the Dutch frontier, and thence along one of the many defensible lines to the North Sea; and if Norway had continued to be solidly held—if all these measures had been taken by the autumn of 1943, the enemy might have had a chance of fighting the Allies to a stalemate, and certainly of using his formidable new weapons, the flying bomb and the rocket, on a most dangerous scale. Instead of this, at any given moment, at least a quarter of his potential strength has been engaged elsewhere than at decisive points, the remainder has been trying to hold on or even to counter-attack from unnecessarily extensive lines; he has lost in about nine months at least three million men in prisoners alone; and that figure is in itself a proof of the failure of his desperate orders to his armies to die where they stood.

The enemy's strategic follies must not, however, be allowed to detract from the credit due to the Allies. It has been said that victory in war goes to the side which makes the fewer mistakes; but the Allies have had positive as well as negative virtues. Among them must be numbered, even in the briefest review, the British decision to reinforce the Middle East in 1940, when these islands were in fact open to invasion; the refusal against every desire and every argument of sentiment to invade the Continent prematurely; the extraordinary recuperative power and the masterly handling of the Russian Armies; the astounding co-ordination of the different sectors of the "grand assault". The enemy has been outmanœuvred and outfought.

THE LAST PHASE IN EUROPE

SPACE now requires passing from these general observations to the details of the final stages. In the West the Allied High Command had openly declared that if the enemy fought a major action west of the Rhine, the German Army would be destroyed and the whole of Germany lie open. That is exactly where the Germans did try to fight, with the result as forecast. When, after the defeat of Rundstedt's Ardennes offensive, the Allies resumed a general attack, it proved irresistible. The momentum of the American First Army was such that they actually secured a bridgehead over the Rhine at Remagen, together with a bridge which remained intact for several vital days. Rightly estimating that the enemy was short of troops and unequal in morale, General Eisenhower assaulted the river line with the briefest delay.

In British military annals, Field-Marshal Montgomery's order of the day "21 Army Group will now cross the Rhine" had a confident simplicity which ranks it with Cromwell's more metaphysical "Let God arise and His enemies be scattered" at Dunbar. The Army Group did, in fact, cross the Rhine with little trouble on the most northern sector of the attack, but after that had the hardest fighting of the lot as it drove up the Dutch-German frontier to cut off Holland and simultaneously north-east to threaten the great German North Sea bases and (for a few days) due east to help the Americans to segregate the Ruhr. This district, many hundreds of square miles of almost completely built-up country, was expected by the enemy to absorb and hold large Allied forces. In fact it was completely by-passed and encircled by the American Ninth and First Armies. The manoeuvre would have been dangerous had the enemy possessed a measure of cohesion and mobility, for the Ruhr ultimately yielded 320,000 prisoners. But those qualities had been hammered out of him, and the garrison made no dangerous sally nor serious resistance.

In broad outline, the Allied plan was that while the British Army cleared Holland and north-west Germany, the Americans should cut Germany in two from west to east, as far as was necessary to effect a junction with the Russians, their southern flank being guarded by General Patton's Third Army, and General Patch's Seventh which included the First French Army. Whether by instruction or not, General Patton, the Murat of armour, ran wild across southern Germany. With their southern flank thus secured, the Americans in the centre rapidly reached the Elbe, compensation having been made for the troops required to mop up the Ruhr by deploying an entirely new Army—the Fifteenth—in this central drive. Having thus arrived within fifty miles of Berlin, these central Armies halted. It was stated that they had overrun their supplies and must pause to build up; but events showed clearly that the Elbe had been fixed as the boundary between the Anglo-Americans and the Russians, and that a farther advance on the central sector might have caused two friendly armies to collide in full career. In such a case the danger of a clash before recognition is always great and all risk of it was thus very properly avoided. Contact was established with the Russians by an American patrol on April 25, but the formal union took place near Torgau at 4 p.m. on April 26.

On the southern sector, where the American Seventh and French First Armies were stationed, the crossing of the Rhine was delayed until about ten days after the river had been forced farther north. It will be remembered that the enemy had shown every sign at the time of Rundstedt's Ardennes offensive of making a bid to recapture Strasbourg. This subsidiary offensive was called off when the main offensive collapsed, but it took several weeks of hard fighting to clear the enemy from the Haguenau region. In the long run this struggle was no disadvantage to the Allies, because it meant that here, too, the Germans committed the cardinal error of fighting and losing the main battle west of the Rhine. The river itself was forced without much difficulty, but farther east there was extremely heavy fighting at the point of junction between the French and Americans during the advance on Stuttgart.

After this city fell to the French there was a collapse; and General de Lattre de Tassigny's men swept in a semicircle right on to Lake Constance, leaving a pocket of Germans pinned between them and the Swiss frontier. The date on which the enemy first started acknowledging that the game was up appears to have been April 19, when Himmler, no doubt in his capacity as C.-in-C. of the German Home Forces, first approached Count Bernadotte of the Swedish Red Cross with an intimation that he was willing and able to surrender to the British and Americans. He had other reasons for this attitude besides the crushing Allied victories in the West. By this time the Russian offensive towards Berlin was in full swing and clearly could not be held. While Marshal Zhukov from his Kuestrin bridgehead over the Oder attacked west and north-west towards the capital, Marshal Koniev from the line of the Neisse struck up from the south. Their forces joined up west of Berlin about April 26. Hitler's last disservice to his people was to subject the capital to ten days of fierce street fighting, in which he himself is alleged to have perished. Goebbels, as Gauleiter of Berlin, announced that both the Führer and himself were on the spot, directing the defence. This was probably true. Goebbels' body was found after the fall of the city. As for Hitler, Himmler's own story to Count Bernadotte—which that subsequently told by Dönitz implicitly contradicted—was that he had had a stroke at his H.Q. in the Tiergarten and was incapacitated. But whether he perished in a brain storm or a shell storm, and exactly when, does not matter in the military sense. All that concerns this review is to note that the defence of Berlin, strategically idiotic because both hopeless and inconsistent with the alleged purpose of continuing resistance in "redoubts" elsewhere, was typical of the hysterical futility which has characterized Hitler's conduct of military operations.

THE END IN ITALY

MEANWHILE, elsewhere, the Germans were paying the penalty for those faulty dispositions which the writer has repeatedly noted. In Italy the Eighth Army launched a full-scale attack north of Ravenna along the Senio river on April 9, and the Fifth joined in a few days later south of Bologna and along the Tuscan coast. Though the attack followed a lull of five months and was met by twenty-five full strength divisions, a week was enough to secure a complete break-through. Planned bombing, continued for several months, had too badly impaired the enemy's mobility, and he could neither manœuvre nor get away. The feature, after the break-through, was the success of a general rising by the Italian partisans in Piedmont and Lombardy. They seized and held nearly all the big cities, prevented demolitions, and intercepted all attempts to escape either by Germans or by Fascist remnants. Among the latter was Mussolini himself, who was caught and put to death near Como, and his corpse exposed to the people in Milan where he had begun his adventure nearly a quarter of a century ago. These partisan achievements were only the last sign of the mastery with which the whole Italian campaign has been conducted. Taking into account how, for nearly a year, the Allied armies there had had to contribute troops and to do without

supplies in order to nourish the great invasion of Europe from the West, it must be stated that Field-Marshal Alexander ranks as high as any soldier whom any side has produced in this war. His last battle was fully worthy of his record. The dash for Verona—city of the Scaligers and cork of the Brenner Pass—which cut the enemy in two was a fine piece of daring and of organization, and that was only one incident in a battle which knocked the substance out of the idea that the enemy could hold out in a central redoubt based on Bohemia, Bavaria, part of Austria and Northern Italy. The Allied victory in Italy destroyed the backbone of the possible garrison of this redoubt and captured the area indispensable for supplying it with food and munitions.

It must be noted how closely and completely all these operations in the West, South and East have been dovetailed together. There has been perfect efficiency and loyalty in carrying out the strategy devised at Teheran and Yalta. The halt of the Americans on the Elbe has already been noticed. A similar halt was called by the southern Russian armies after the capture of Vienna. They waited for Patton's men coming down the Danube to join them; and this junction would, be it observed, have cut the vaunted redoubt in two. It was further split when the Seventh Army advanced by the Mittenwald road on Innsbruck and took the Brenner in reverse. Thus one of the most promising of the redoubts was really over-run before it could be established. Another, which was apparently to consist of Norway, Denmark and north-west Germany, also collapsed before it could be organized under the converging pressure of the British advance north-eastwards and the Russian advance west along the Baltic coast, and the German forces (except in Norway, but including those in Holland and Heligoland) surrendered to Field-Marshal Montgomery on May 6. Even Dönitz, who seems to have usurped the Hitlerian succession from Himmler on a programme of no-surrender, now realized that the game was up. On May 7 an act of general and unconditional surrender was signed at General Eisenhower's H.Q. in Rheims, and this was ratified, for greater psychological effect, in Berlin at one minute past midnight on May 8/9, which is therefore the exact time when the war in Europe officially ended. The order to surrender was effectively obeyed everywhere, not excluding the Channel Islands, except on some sectors of the Russian front in Czechoslovakia.

The German collapse has really been extraordinarily rapid. It is complete only 2½ years after Alamein and a little less after Stalingrad. Nothing could be more foolish than to depreciate the enemy's military qualities, and some attempt has already been made in this review to give him credit where credit has been due. But it should be recorded that, well though the rank and file have often fought even in the hopeless positions in which they have been placed by the High Command, the German has not proved himself a super-soldier. He has the defects of his qualities of obedience and discipline and always has had. Let it not be forgotten, for example, that the Army which Frederick the Great had forged only 30 years before, recoiled before a few ragged artillerymen at Valmy. It is by no means certain that, given even fair equality in equipment, the German Army will not prove inferior to the

soldiers of less militaristic nations. The world should get out of the habit of thinking that German armies must necessarily win the first battles. They have now lost the last often enough to show that they are not invincible.

VICTORIOUS CAMPAIGNS IN THE FAR EAST

THE end of the war in Europe overshadows the events of the war in the Far East; but, in fact, progress there has been hardly less astonishing. Perhaps the honours go to the armies in Burma, which have achieved the apparently impossible, namely, the reconquest of the country overland. It had always been supposed that an amphibious expedition on the largest scale would be necessary, but in fact, apart from the edgings along the Arakan coast, the main operations have been those of the Fourteenth Army coming down the river valleys from north to south. On the map, their advance after the capture of Mandalay seems less miraculous than the exploits which led to the capture of that city; but it must be remembered that all supplies have had to follow them over the same formerly almost roadless country; and how they managed the sweeps which secured Meiktila, the steady pressure which recaptured the oil-fields and the swift dash which secured Rangoon almost undamaged beggars the imagination. The remnants of the Japanese Army are in disorderly retreat towards Siam, and it may well be that we are about to witness a swift and complete reversal of the story of 1941-42.

We are seeing it already in the Philippines, where General MacArthur is now in effective control of most of the main islands, and is establishing himself on that other chain of islands between Formosa and Japan. Thanks to the capture of air-bases sufficiently near, the Japanese mainland is taking a severe pounding, most of the enemy's battlefleet has been put out of action, his air force has been crippled, and his merchant fleet destroyed or immobilized. With a full half of his troops locked up in China—more securely than ever since the Russians have denounced their non-aggression pact—the outlook for the Japanese seems hopeless; and it is probable that they will be unable to hold out for a year and a half after the collapse of Germany as they were at one time expected to do.

This is not the place in which to point the political moral and adorn the tale of victories which have utterly crushed an attempt to master and divide the world between Germany and Japan. The attempt came very near to success, and if there be any feeling of awe evoked by its failure it comes not from any element of grandeur in the fall of these two Powers but in the fact that the Allies, starting with so little, have achieved so much. Let us hope that the final parallel between the fall of Germany and Japan and the fall of Lucifer will be that they can never hope to rise again.

BRITISH COMMONWEALTH RELATIONS

THE CHATHAM HOUSE CONFERENCE

AT Chatham House there met during the latter half of February, under the auspices of the Institutes of International Affairs in five nations of the Commonwealth, the British Commonwealth Relations Conference, 1945. Its proceedings were private. From the public statements that it authorized, however, one clear conclusion emerges. The problems that confront the British Commonwealth in the post-war years cannot be solved by any action that the members can take as a self-contained group. The problems of the British Commonwealth are those of the whole world. They can be solved only in so far as the nations of the Commonwealth can be integrated into an effective world organization, for security and for welfare. This is not a new or original conclusion. Indeed, there would have been something radically wrong with the whole system under which the Commonwealth works if this unofficial conference had been able to propound, in its brief two weeks, some new doctrine, some new formula for the mutual relations of members of the Commonwealth and for their place in international affairs.

This conference of 1945 was the third of a series—a series which will continue, if heed is paid to the views of those who attended the Chatham House discussions in February. Perhaps the third conference was neither so representative nor so authoritative—it was certainly not so numerous—as its predecessors. Considering war-time transport difficulties and the heavy calls made by war administrations on the types of expert which such a conference demands, this was not surprising. The remarkable thing, on the contrary, was the range and diversity of the points of view, from all over the Commonwealth, that it was found possible to assemble. More than one-third of a total membership of about 65 had come specially from overseas, by sea or air.

The list of the delegations suggests that extreme views, whether on the social or on the national side, were not effectively represented. This may perhaps have widened a little artificially the area of agreement. There seemed to be almost no spokesman for left-wing Labour, in Britain or in the Dominions. The extreme Afrikaner or French-Canadian position had to be considered only, so to say, *in absentia*. More important, there were no representatives of the Institute of International Affairs in Eire. Arrangements for Irish participation were contemplated, but for one reason or another broke down.

The Institute in India sent a strong delegation. From two of the other near-Dominions—Burma and Southern Rhodesia—came observers. The conference, however, did not concern itself at all with questions of Dominion status. The tacit assumption was the assured advance of all these three to the autonomous nationhood portrayed in the Balfour Declaration and established

by the Statute of Westminster. Having regard to the position of Eire and to the terms of the Stafford Cripps offer to India in 1942, the conference spent no time in canvassing a Dominion's right of neutrality, or even of secession.

Meeting as it did when preparations were afoot for the United Nations Conference at San Francisco, the British Commonwealth Relations Conference 1945 was wholly preoccupied with the place of the Commonwealth in world affairs, and especially in the organization of world security. So were its predecessors. The first conference in the series, held at Toronto in 1933, found the answer to the problems of intra-Commonwealth relations in a determined attempt to make effective the system of collective security provided for by the Covenant of the League of Nations. The second conference, held near Sydney on the eve of Munich in 1938, when the League system had visibly broken down, nevertheless proclaimed its faith in the future of the consultative Commonwealth that the evolution of Dominion status had established. Experience in the present war has vindicated that faith. World War II has failed to dissolve the Commonwealth. On the contrary, since the great crisis of 1940, when it stood alone in the breach against the menace of Germany and Italy, the agencies for military, economic and political co-operation among the member nations have even been improved and extended. The consciousness of a common purpose was never clearer than when the conference of 1945 met. This was expressed, while the conference was still in session, by the announcement that the Governments of the British Commonwealth would confer together in London before the world conference assembled, in order to have a general exchange of views.

THE NEW BALANCE OF WORLD POWER

THOUGH the British Commonwealth in 1945 is a going concern, a living, active, functioning reality, it faces an entirely changed situation as it looks ahead to the post-war years. The conference at Chatham House fully realized this. Nations cannot engage in the vast activities, both destructive and constructive, of modern total war on a world scale without making drastic alterations in their reciprocal positions. So far as concerns the British Commonwealth, the war has brought great changes in the internal affairs of each of them, in their mutual relations, and in their relation as a group to the world at large.

Total war on both sides of the world has presented the Commonwealth as a whole and each of its members with a new problem of defence. Australia, for example, has been brought into the defence orbit of the United States to a degree shared hitherto only by Canada. The industrialization of the Dominions means that there must be something like a new balance in world production and trade. Canada has ceased to be a debtor and has become a creditor country. The war effort of India, military and economic, has been on so great a scale that Indian members of the conference could contend with much show of justice that on every ground save that of political independence she has a claim at least as strong as that of China to a permanent seat in the Security Council of the United Nations.

The changes brought about by the war in the world position of the United Kingdom itself have been perhaps the most striking of all. How much her will to victory has cost her begins to stand out clearly even from the unemotional pages of the White Paper giving the official statistics relating to her war effort. On the one hand the disposal of a large fraction of her capital assets overseas, and the loss of important overseas earnings by reason of hostile action at sea and in her colonial territories, have seriously weakened her capacity to regain and maintain her traditional standard of living. On the other hand the development necessitated by the war in the huge military and industrial potential of the United States and the Soviet Union, with populations three and four times the size of Britain, has already shifted the balance of world power. She will not, in her own right, dispose in the post-war world of forces even roughly equivalent to those of the other two members of the Big Three. Only if one included the resources of the Dominions and Colonies would there be something like a balance between them.

Considerations like these were clearly in mind during the discussions at Chatham House. They raised at once a question of fundamental principle. The Commonwealth has been evolving hitherto by creating autonomous national units within its membership, dissolving one by one all the mechanisms of central organization and control. The process is still going on. Has the time not come to get into reverse gear, as it were—to draw the units closer together, to re-establish some means of unified decision and direction? Under the existing system of free co-operation there is always the risk of divided opinion and action, even on vital issues. Eire's decision to remain neutral in the present war is a clear case in point. The narrow majority that decided South Africa's entry into the war suggested again how real the risks were.

DECENTRALIZATION AND THE FEDERAL CHALLENGE

In a good many authoritative quarters the suggestion had been current for some time that it would be well to avert the possibility of such dangers as these by devising methods for reaching a single British Commonwealth decision, expressed in a single voice. Lord Halifax had publicly ventilated ideas of this kind. So also had General Smuts. Opposition had immediately been expressed, particularly in Canada. Nevertheless, the general idea had found a good deal of acceptance. Sometimes only half-consciously, it formed the assumption on which many people approached the problem of Britain's future, and that of the Commonwealth.

Views of this kind were by no means confined to, nor were they by any means universal in, the United Kingdom. It was not a simple case of a British view against Dominion views, the Great Power outlook contrasted with the outlook of the lesser States. Advocacy of "one voice", too, did not always mean at all the same thing. Sometimes—as in Mr. Curtin's proposals of 1943-44—it meant only more effective and constant consultation: better methods of reaching agreement, not a method of reaching a single majority decision, even in the face of disagreement.

The conference at Chatham House reached no conclusions, adopted no

resolutions. Plainly, however, the opinion prevailed that the now traditional structure and methods of the Commonwealth are best; that to depart from them would prejudice the effective functioning of the Commonwealth in world affairs and would even endanger its present unity. The case for the present system of the Commonwealth was thus put on grounds both positive and negative. Negatively, the claim was that for a majority of the Commonwealth to assert the right to overrule a minority of the member nations would drive some of the members out of the Commonwealth altogether. Positively, the case rested on the fundamental proposition that the Commonwealth cannot solve its own problems by its own sole action. To form blocs is to create counter-blocs. If the member nations were to keep their heads down, so to say, in a kind of private scrum, they would lose the support of other free nations. The very freedom of their association makes it easy for them to enter into individual relationship with other nations, which are of the utmost value to the whole of the Commonwealth. Canada's close relations with the United States are only one example of this. The strength of the Commonwealth has resided fundamentally in the large measure of willingness to agree that exists among the members, a willingness that springs not only from their close and constant contact and consultation but from common traditions and ideals, and a common sense of purpose.

Free consultation among equal and autonomous nations as a satisfactory basis for community action is, of course, squarely challenged. During the conference at Chatham House there appeared a new book by Mr. Lionel Curtis gathering together, restating and bringing up to date the argument of his war-time pamphlets, and entitled *World War, its Cause and Cure*. The thesis is that compacts between sovereigns are an illusory route towards security. Only when a sufficient number of nations (including Britain, the Dominions, the western European democracies, and also the United States) have united federally to create a single authority for their common defence will there be a real prospect of international peace. The first step towards such a union must come from within the British Commonwealth itself.

At the second British Commonwealth Relations Conference in 1938 this thesis was answered confidently. The Commonwealth's own method was put forward as an alternative route to world order. In 1945 that solution did not commend itself so readily, but general opinion still recoiled from the federal thesis. As a policy for immediate action it seemed to be too far ahead of opinion, too likely to prejudice the establishment of the close consultative relations with the United States and the Soviet Union on which so much would depend, for at least the next generation.

NEW CONDITIONS OF DEFENCE

BESIDE this fundamental choice, the choice of destination and route, the discussion of particular topics at Chatham House was secondary, though of course by no means unimportant. In the absence of sub-committee work at the specialist level, however, the trend of discussion was general, as might be expected. What emerged was seldom novel. But each fresh subject in

turn drove home farther the one lesson already mentioned—that the solution of the Commonwealth's problems must be an *international* solution.

In defence, for example, experience has shown that the security of the Commonwealth—of Britain and of Australia and New Zealand, as well as of Canada—depends upon co-operation with the United States. Within the framework of a general system of collective security, moreover, there will be room for regional arrangements in which members of the Commonwealth will have to co-operate not only with other members but with foreign neighbours as well. The regional defence arrangements in the south-west Pacific, contemplated in the Australian—New-Zealand Agreement of 1944, are a case in point.

From the defence angle Britain's vulnerability to the robot weapons of the future is perhaps the capital factor in the security problem of the Commonwealth. Her defence needs to be reinforced, as it has been already in this war, by the industries and the facilities for training of other parts of the Commonwealth. Since military planning involves long-range policy and a degree of industrial co-ordination, a strong case was made at Chatham House for close liaison between members of the Commonwealth. This might be provided either by a Commonwealth Defence Council or by attaching staff from all the member nations, at the appropriate levels, to the planning organization of the Imperial General Staff. The defence discussions at Chatham House also emphasized the importance of India and the Indian Ocean in the future defence planning of the Commonwealth. This gave point to the plea of the Indian delegates, which was otherwise outside the scope of the conference, for a fresh approach to the problem of India's advance to Dominion status.

Too close to be misunderstood, not close enough to disturb Chatham House itself, the rocket-bomb explosions during the conference were quite sufficient to illustrate the basic factor in Britain's future foreign policy—that the frontier of her security, both strategical and economic, is well in Europe. To think only of the Atlantic seaboard is no longer enough. Britain henceforth must be a continental as well as an oceanic Power.

This development is significant for the Dominions. Britain's security is theirs, too. The lines of Britain's future commitments in Europe, military, political and economic, have not yet become clear. Naturally, Dominion opinion is scarcely ready to endorse them now in blank. But the attitude to-day seemed very different, as exemplified in the Chatham House Conference, from the aloof and wholly academic approval that the Dominions accorded twenty years ago to Britain's engagements in the Locarno treaties. Australia's Minister for External Affairs (Dr. Evatt) had recently said that his country "could not contract out of Europe". That seemed to be a fairly general view. If it can be maintained after the peace settlement, it will be a material support for British foreign policy.

TRADE AND FINANCE

DISCUSSION of economic and monetary policy at the British Commonwealth Relations Conference were dominated by knowledge that the policies adopted

by the United States would be the main determinant of the policies of the nations of the Commonwealth. There was no disposition to regard as the cornerstone of economic policy the system of Imperial preferences represented by the Ottawa Agreements. Those agreements had been defensive in their original intention. They had in actual practice been found embarrassing in trade relations with foreign countries. After the war, because of the rapidly extended industrialization of India and the Dominions, there will be even greater need than before for foreign markets. For some of the existing preferences there is a strong case; and in some circumstances there may be a disposition all round to maintain present advantages, in face of difficult world conditions. On a long-term basis, however, the Commonwealth cannot hope to find within itself the key to trade prosperity.

The problems of capital investment in the post-war years will plainly require the United States to play a leading part. Changes have taken place during the war in the sources of capital supply. Canada is likely to share in Britain's former rôle as a creditor nation. India, too, was stated to have abundant capital for investment, but so great is the task of raising living standards in what an Indian delegate described as "a vast slum of 400 million people" that India would welcome British investment, it was said, if free from any suggestion of political influence. Reference was made to the United Kingdom's extensive programme of colonial development. The proposed international bank for reconstruction and development could be expected to provide for the most urgent needs of the countries devastated by the war. Even so, there would be a gap that only the United States could fill. In this regard some anxieties were felt. Strong hopes were expressed that American investors would follow the traditional British policy of investing without insistence on the purchase of capital goods from the investing country or the imposition of political conditions.

Discussions of migration, as of other problems, showed the international character of the Commonwealth's tasks. Considerations of security, as well as of industrial welfare, have brought home more sharply than ever before to some of the Dominions their need of population from abroad. But under present conditions the United Kingdom would be in no position to provide sufficient suitable migrants. Lack of ships would for some time impose further limits on what could be accomplished. But in any event it was plain that the Dominions would have to seek migrants from foreign countries.

THE DEPENDENT EMPIRE

THE Chatham House discussions, as usual and natural with British Commonwealth talks, disclosed a wide area of agreement in principle. Where sharp disagreement does exist, as for instance over the racial restrictions applied to Indians in South Africa and Kenya, the basic doctrine of the Commonwealth that each of the member nations is master in its own house may enable the Commonwealth as a whole to escape responsibility while feeling a sense of real concern. The Commonwealth's challenge to the Nazi doctrine of the master-race must compel every member nation to re-examine

its own attitude on racial questions and on the treatment of dependent peoples.

Colonial questions revealed both agreement and disagreement on basic principles. That the primary aim of the administration of dependent peoples was to promote their welfare, and their political, social and economic development, was generally accepted. Summed up as the principle of trusteeship, this has long been the declared policy of all British countries, the United Kingdom leading the way both in idea and in application. That the effective application of this principle requires, under modern conditions, co-operation in administration on a regional basis, especially in such matters as health, education, agriculture and transport, was also generally accepted. The problems of administration cannot be handled properly in watertight colonial compartments. But there was real disagreement on a further suggestion that trustee States should accept, in respect of colonial territories generally, an obligation to be accountable to an expert advisory international body, like the Permanent Mandates Commission, functioning under the new World Organization. Legitimate international concern in the treatment of what were called "the world's depressed areas" was admitted. But the necessity for, and the appropriateness of, anything like the general application of the existing mandate system was resisted, though the case for it was strongly pressed. The whole subject is too complex, and too important, for anything more than mention here. The public statements of the Governments of Australia and New Zealand made it clear that the matter would be raised in the official discussions about world organization.

THE COMMONWEALTH AT SAN FRANCISCO

JUST before the Chatham House Conference, the announcement was made that a United Nations Conference on International Organization was to be convened in San Francisco on April 25, taking as the basis for its discussion the proposals tentatively agreed to by representatives of the United States, Russia, Britain and China at Dumbarton Oaks. The unofficial conference was, therefore, something of a curtain-raiser, both for the official British Commonwealth talks in London in April and for San Francisco itself. United Kingdom delegates naturally approached the Dumbarton Oaks proposals from the point of view of a country having world responsibilities and a permanent seat on the Security Council. Dominion delegates saw the proposals from the complementary, or contrasting, angle of the lesser States, which would be candidates for election by the General Assembly to the non-permanent seats.

Discussion revealed strong Canadian anxiety about the power of the Security Council to commit the whole organization to the imposition of sanctions. The Canadian delegates consistently questioned the possibility of accepting—from Geneva or The Hague or Philadelphia in the World Organization any more than from Westminster in the Commonwealth—commitment by a decision in which Canada had not herself participated. United Kingdom and Dominion delegates, too, expressed the conviction that the

Charter of the World Organization must not be such as to preclude the possibility of mutual defence arrangements, regional or other, which would be consistent with the purpose of the Charter but which could be brought into operation if the World Organization broke down. But the substance of the Chatham House discussions need not be indicated here. They have merged now in the history of the British Commonwealth meeting, and of San Francisco itself. What they did was to emphasize over again the position of the Commonwealth to-day. Committed to the task of renewing the attempt to organize collective security through international co-operation, united by fundamental community of purpose, the Commonwealth nevertheless enters the World Organization, not as one, but as several legal entities, not unitary but multiple in its policies and in its decisions, but still a Commonwealth.

THE HOUSING PROBLEM IN GREAT BRITAIN

RAVAGES OF BOMBARDMENT AND NEGLECT

CONTRARY to general belief, the programme of "homes for heroes" was fairly successfully carried out during the Twenty-Years' Truce. Although the building industry had also to provide for immense demands by industry, it built during that time 4,000,000 houses, which was half the total number of houses existing in the country in 1919. The new houses were on the whole of a far higher standard than the 1914 houses and the average number of persons per house was reduced from 5.4 in 1901 to 4.0 in 1931 and to 3.5 in 1939, which meant having as many houses in the country as there were families. The shortage in the number of houses having in fact been overcome, the Government's attention was concentrated upon slum clearance. With an average production of nearly 350,000 houses per annum the British housing problem would soon have been solved but for the outbreak of war.

Total war necessitates the greatest possible diversion of man-power from civilian to military needs. There are strict limits to the reduction that can be made in food, fuel and clothing if the civilian population is to be kept healthy and productive, but it is quite possible to postpone the production of houses. This was done and the industry engaged for several years in building for war purposes. Moreover, since the building industry contains a high proportion of strong young men, it is particularly useful as a source of military recruits. The building industry has in fact had its man-power reduced by two-thirds, from 1,008,000 to 337,000. Since one-third of the building industry was employed before the war on repairs and maintenance, the whole 700,000 engaged on construction has virtually been scattered to the winds. The need for man-power could not be expected to diminish before the end of the fighting in Europe, and in fact a further 14,000 were called up from the building industry in 1944. There was no question of reversing the flow before the end of the war with Germany, except in the case of specially qualified men.

Lord Woolton has set out the number of new houses immediately required :

Houses for additional number of families..	..	850,000
Houses destroyed by enemy	200,000
		<hr/> 1,050,000
Houses irreparably damaged	150,000
Houses completed in wartime	150,000

Although the total population is now increasing only slowly, the number of adults and therefore of separate households is still increasing and will con-

tinue to do so for some time. The position showed no signs, however, of getting out of hand until the flying-bomb attacks upon the south of England started on June 13, 1944. This form of projectile tended to damage houses over a much wider area than the usual bomb, although it did not inflict so high a proportion of fatal casualties. Since June 13, 1944, it is believed that about 1,000,000 houses have been damaged and it is officially stated that 195,371 have been destroyed or irreparably damaged. On March 28, 143,029 men were engaged on bomb damage in London and they had made 789,747 damaged houses reasonably comfortable. It is obvious that all slightly damaged houses must be put into a state of satisfactory repair before the building industry can turn its whole attention to new construction.

TEMPORARY HOUSING: ITS VALUE AND LIMITATIONS

THE problem confronting the Government is simple to state but difficult to solve. The building industry has been greatly reduced in size for the duration of the war and cannot be allowed any expansion until demobilization begins. This same demobilization, however, means the return of a large number of men from the Services who will impatiently demand houses. It was natural, therefore, that the possibility of erecting temporary houses not using traditional materials and ordinary building labour should have been suggested. Most expert opinion was sceptical, but the War Cabinet did in fact what public opinion has, without understanding the problem, clamoured for, and approached the matter with a "Mulberry mind". Thus a number of Phoenix houses of concrete were ordered from the organization which built the Mulberry harbours. Similarly, Lord Portal as a result of intense research and experiment, produced a factory-made bungalow of pressed steel which could be erected rapidly upon the site with a minimum use of ordinary building labour and materials. Other houses of foamed slag and other new materials were produced by private enterprise; and the Arcon Mark V, the Uni-Seco House and the Tarran House all satisfy the requirements of the Burt Committee. On August 1 and September 26, 1944, the House of Commons debated the Housing (Temporary Accommodation) Bill under which temporary housing could be provided up to a total cost of £150,000,000. There was widespread criticism on the ground that the temporary house was sub-standard, that it would be costly because of its short period of use, and that it would in fact be difficult to find suitable sites which would neither interfere with good town-planning nor get in the way of the permanent housing programme. The House did, however, accept the Bill as the only way to provide rapidly the houses which demobilized men would demand, and the Government stated that they had already given orders for the jigs and tools to be begun, confident that the House would absolve them of the financial irregularity in the effort after speed.

In the course of his speech on September 26, Mr. Oliver Lyttelton said:

"If I had been asked only a few weeks ago what contribution the munitions industry could make to the problem . . . I should have had to say unhesitatingly

'none'. . . . To-day our victorious armies have swept through the whole of France and gained a most significant success in Italy. . . . We are going to try to begin the actual production of emergency houses in a very short time, irrespective of the estimated end of the European war. We are going to begin the actual production, if necessary, while the war is in progress. . . . We must see that this does not impinge upon the production of weapons which are necessary for the fighting forces, but I think it quite possible that we can do so. I must say again that in doing this we shall have to act with great circumspection."

The prolongation of the war into 1945 has, however, made it impossible to release steel for housing purposes. In order also to free our hands to regain export markets the new Lend-Lease Agreement with the United States provided that from January 1, 1945, no more iron and steel should be delivered by the United States. This meant that the British steel industry had to deal with the whole British demand. It was therefore due to no inconstancy of purpose, but to deep changes in the situation that the Government's policy has been changed.

Between September and March progress has been made towards producing a prefabricated permanent house. If it were possible by new methods to produce houses of sufficiently high standard and durability to supplement the permanent programme, there would manifestly no longer be justification for the programme of temporary houses. This point has not, however, yet been reached, and therefore the provision of temporary houses under the Housing (Temporary Accommodation) Act will continue in so far as these are made of new materials other than pressed steel. There is in fact a transitional period when all available temporary houses will be required; but steel, originally the chief of the new materials, will not be available for this purpose.

Although it would be unwise to abandon the programme of temporary housing, some of the criticisms made in the House of Commons last September have been justified by experience. The provision of sites for the temporary bungalows has presented difficulties. Owners of sites who hope to rebuild are reluctant to have temporary bungalows, expected to remain for ten years, dumped upon their sites, and they are supported by public opinion in the neighbourhood, which dislikes the toothless appearance thereby given to the road. Nor have local authorities succeeded in handing over sites ready for the erection of bungalows at the rate expected. In his speech on March 3, 1945, the Minister of Health stated that the number of sites proposed was 60,000; of these 46,000 have been approved by his Department, but only 4,000 had in fact been handed over by the local authorities to the Ministry of Works.

Another disadvantage has been the cost of the temporary houses. Mr. Duncan Sandys on January 31, 1945, said:

"As my predecessor explained in another place, the figure of £600 was the target aimed at. . . . Owing to the fact that factory capacity and materials needed for the steel house cannot at present be made available, it has been necessary to adopt entirely different and in most cases less highly prefabricated types."

It is therefore apparent that the temporary house is proving even more costly

than had been expected. The same is true of the temporary shelters erected in London to enable the bombed-out inhabitants to get through one or two winters. The cost of the huts was estimated on September 28 as being approximately £100, exclusive of erection and equipment. On February 21, 1945, the cost was given as £380 for the curved asbestos hut and as £490 for the Seco. Although these figures are not quite comparable, since they presumably include the cost of erection, we are none the less confronted here with a cost for the temporary shelters intended for one or two winters approaching that expected for the temporary house, and a cost for the temporary house, intended to last for ten years, which is at least two-thirds the cost of the few brick houses that have been built during the war.

NEED OF REDUCTION IN BUILDING COSTS

THIS problem of cost is really fundamental, but unfortunately politicians are promising that houses shall be built irrespective of financial considerations. The Central Housing Advisory Committee in the Report on Rural Housing said:

"It is obvious to anyone conscious of the limitations of the national resources that it would be impossible to carry out a long-term housing programme of 4,000,000 houses, as announced by the Minister of Health, at the present level of building costs. To do so would involve locking up so large a share of the national resources in housing as to make it impossible to meet many other equally urgent social needs."

And much the same views were expressed in their report on house design. The cost of building is now approximately 100 per cent above the pre-war level as compared with an increased cost of living of approximately 30 per cent. If the cost of building is not brought into line with other prices, it means that the building industry is taking a disproportionate share of the nation's income in return for its contribution to the nation's needs.

The continuation of such high costs means that the economic rent of a post-war house will be excessive. No doubt the rent which a tenant can pay will have increased in proportion to the rise in wages. The Central Housing Advisory Committee had reported in 1936 that, with the minimum wage averaging 32s. a week, the agricultural worker could only be expected to pay a rent, including rates, of about 5s. a week; but it has now reported that with the new minimum wage of 65s. the agricultural worker can afford an inclusive rent of 10s. to 11s. On this reasoning, in the case of urban housing the economic rent can be raised by the amount of the increase in wage rates, approximately 46 per cent. If the cost of building remains more than 46 per cent above the pre-war level, there would have to be a proportionately greater subsidy. Not only is the cost of subsidies paid by the taxpayer, who is broadly indistinguishable from the householder, but the disparity between the economic rent of a house and the rent a tenant can afford to pay indicates an economic maladjustment productive of all kinds of harmful results.

The new Report on Rent Control (Cmd. 6621), too recently published to be referred to in detail in this article, points out that many rents now subject

to restriction are so low as to afford no incentive, and in some cases not the resources, to landlords to maintain their houses in good order. It accordingly recommends the setting up of Rent Tribunals to carry out adjustments fair to both parties, and, while not recommending any general increase in rents, accepts the recommendation of the Rural Housing Report for an increase in the rural rents, which are uneconomically low.

All these considerations bring us back to the need to reduce the cost of both temporary and permanent houses. Cost reflects man-hours and *The Economist* on February 3, 1945, suggested that the intended post-war labour force of 1½ million men in the industry would mean the concentration of a disproportionate amount of the national resources on building. The right answer is to economize man-power and money by improved methods of production. American wages for skilled men are three to four times and for unskilled men two to three times as high as ours. The cost of their building materials is 10 per cent to 60 per cent higher than in this country; and yet the cost of building in the United States is sometimes less than in this country and is never more than 75 per cent higher than ours. This proves that the building industry here could be made more efficient and produce a low-cost article without any reduction in wage rates.

MEN, MONEY AND LAND FOR BUILDING

It is the present acute shortage of man-power that restricts the Government's immediate post-war programme of building by traditional methods to 300,000 houses built or building at the end of the first two years. By limiting the number of houses begun, it is hoped to ensure their early completion. It is hoped to have raised the man-power to 800,000 by the end of the first year; but, with the large programme of repairs to bomb-damaged property, and other necessary repairs, the number of men available for new construction will be limited. The most effective control for preventing rises in prices will be to restrict the number of tenders invited by the local authorities to the number of houses for which materials and labour will be available. Most of the materials required for building are made in this country, and their supply is therefore again a question of British man-power. Only timber is imported in large quantities from overseas, and shipping may not be available for unlimited importation of this bulky commodity. "Limitation to approximately 300,000 of the traditional style houses begun in the first two years of peace is therefore at once the best way of restricting costs and of ensuring the completion of the maximum number of houses in that time.

Finance presents no difficulty, for the funds available far exceed what can be spent with the present man-power. Not only are many potential house-owners now in possession of savings which they would gladly invest in a house, but war-damage payments on account of destroyed houses are also available, and the building societies are embarrassed by the amount of liquid resources which they would gladly invest in house construction.

Nor should there be any difficulty about the acquisition of land. Under

the Housing (Temporary Provisions) Act, 1944, especially expedited procedure was provided for the compulsory acquisition by local authorities of land for housing; and the price payable was fixed by the Town and Country Planning Act 1944 at that prevailing on March 31, 1939. Whether this procedure is working entirely satisfactorily is open to doubt; but this is largely because local authorities and surveyors are both working with staffs depleted of engineers, surveyors and draftsmen by the continued demands of the Army. The local authorities are operating under Ministry of Health circulars permitting them to acquire land for their estimated requirements for the first two years only of the permanent building programme. It would seem that this restriction is based upon financial considerations which scarcely apply at this stage of the war, and the circulars might with advantage be greatly relaxed. The practical effect of this would not be great, however, since they are at present somewhat indulgently administered.

FIVE IMMEDIATE NEEDS

No one in touch with social problems will dismiss as unreasonable the popular agitation for more and better homes. Not only is it proof at last of that housing conscience which public men of all parties have long been trying to awake, but it is the result of seeing thousands of couples without homes of their own, while many are in overcrowded or slum conditions. Much of the progress made in twenty years of peace has been lost in six years of war. It is none the less important that Parliament should not lose its sense of proportion and, by attempting the impossible task of providing a million houses in less than five years, seriously unbalance the economic system. Concern for housing must not obscure the rival claims of other social services, of the re-equipment of industry, of exports or of agriculture. Six years of war with much damage by the enemy and a necessary cessation of new building should amply justify a plea by the Government for patience on the part of those with inadequate or no houses.

There are, however, a number of important steps which should be taken without delay, and which will result in such a steady acceleration from now onwards in the production of houses that the target of four millions in ten years may be reached without overstrain to the economic system.

The first need is the immediate release from the armed forces of architects, surveyors, draftsmen and other specialists to prepare the plans for rebuilding. An immense amount of preliminary work requires to be done now if building operations are to be undertaken in the right places as soon as men become available.

Secondly, it is desirable that ordinary building trade workers should be immediately released now that fighting in Europe is over. Under the Government's scheme of demobilization (Cmd. 6548), such men may be released early in Class B, but they must wait until Class A demobilization, based on age and length of service, has begun, which is not expected to be until three months after the end of the European war. As the soldiers want houses, they should not resent it if those who can build them are demobilized first, or released temporarily for this purpose.

Thirdly, prefabrication, standardization, new materials, power-driven tools must be used to produce, not only the temporary houses which are an unavoidable although costly and unsatisfactory necessity, but also permanent houses, which should be in every way as durable and satisfactory as those built on traditional lines.

Fourthly, the same methods, suitably modified, must be employed in the building of traditional houses in order to bring down the cost to a more reasonable level.

Fifthly, the Government should take the remaining steps needed to plan the use of the country's land. While such steps would not immediately contribute a single additional house, there is a danger in the future of a conflict between housing and planning if the plan is not complete and ready to provide housing sites. It is the plan that would probably be ultimately swept away by the popular demand for houses anywhere and everywhere, but housing also would suffer in the conflict. There is need of a bold initiative by the Board of Trade in indicating where industry should be located, by the Ministry of War Transport in drawing the new lines of communication, and by the Ministry of Town and Country Planning in persuading the local authorities to fit their plans, like the bits of a jigsaw puzzle, into this national frame. It is a matter of urgency that plans should be prepared and finally decided. This is a mere matter of administration. They could not, however, be put into effect without legislation on compensation and betterment as outlined in the White Paper on Control of Land Use (Cmd. 6537). Although it was read before Parliament in June 1944, not only is there no Bill in draft to give effect to it, but it has not even been debated in the House of Commons. This generation should build, not only to provide itself with shelter, but so as to bequeath a great and well-designed legacy to posterity.

THE FUTURE OF BURMA

A NEW BALANCE OF EAST AND WEST

HOWEVER complete the ultimate defeat of Japan may be, the events of this war will have a lasting effect on the peoples of Eastern Asia. The meteoric successes of the Japanese in the six months following Pearl Harbour, the Greater East Asia plan, fantastic as its conception may have been, and in a different way the heroic and protracted resistance shown by the Chinese, are the third step in the process which began with the defeat of Russia by Japan at the beginning of the century, and was continued by the war of 1914-18. What remained of the traditional prestige of the West after these two wars has been finally and irrevocably shattered, and let us be under no illusions about it. That the East owes a great debt to and can still derive many benefits from the West every Oriental with the most elementary knowledge of the world realizes, but the relationship will have to be different. Tutelage will have to be replaced by partnership. If the peace of the world is to be preserved the countless millions of the countries of South-east Asia, the vast majority of whom belong to the great Mongolian race, will have to play their part, and a new balance will have to be struck between their ancient way of life and that of the West.

Of these countries Burma, though relatively small in population and even in area, is of great interest and great importance. It is interesting as having preserved its religion, Buddhism, in a form closer to the teachings of its great founder than any country in the world, and as having a national history a thousand years old, older than that of any other territory in the British Empire. At the same time as the Norman kings were building their great cathedrals in England, the kings of Burma were building at Pagan their great pagodas, a few of which still remain in a good state of preservation, and are among the outstanding architectural achievements of the world.

It is important as the largest Empire territory to be overrun by the enemy and, with the exception of Somaliland, the first to be liberated. In addition to this it has a position of great strategic and economic importance, and a unique constitutional position. Until less than a generation ago it was one of the most isolated countries in the world. Rangoon, though it had recently become a large port, was only a terminus and not a port of call, and by land its sole link with the neighbouring countries was the age-old pack-road from Bhamo into China, which remained in almost exactly the same condition as when Marco Polo gave the first description of it. Suddenly the development of air-transport brought it for the first time on to a main world route. Then the Japanese invasion of China led to the construction of the famous Burma Road, and finally the present war has led to the construction of at least two roads from India. From an isolated country surrounded by the sea and the mountains it has become a battlefield of the great nations and has suffered the fate that the Low Countries have so often endured in Europe.

Whether the new routes which have been driven into Burma in the stress of war will survive is uncertain. It is more than probable that China will wish to retain access to the Indian Ocean through Rangoon, and for that end not only to maintain the Burma Road but to complete the railway the construction of which was begun before the Japanese invasion; but the roads from India are a different matter. Communication by road or rail, even from Bengal and still more from Southern India, through the difficult mountain barrier which separates the two countries, is never likely to compete with the easy sea-routes from Calcutta and Madras. The close economic connexion will certainly remain. India is by far Burma's best customer, taking the best part of her exports of oil, timber and above all rice, the loss of which was one of the main causes of the Bengal famine two years ago. Trade with China, which has existed on a small scale for centuries, is likely to increase, though for Burma this will be mainly transit trade rather than the export of its own products, which are not of a kind able to bear a long and expensive land journey. That Burma will become a link between China and India to an extent which, in spite of its geographical position, it has never been in the past seems inevitable, and this will have a great effect on the people, who have a deep-rooted fear of being overrun by their two mighty neighbours.

Constitutionally Burma, which had previously been a province of India, was separated in 1937 and became a largely autonomous territory without exact parallel in the British Empire. The connexion with India was an administrative convenience, from which Burma undoubtedly gained a good deal but also suffered. Indian politicians often point to the fact that Burma owes its religion and the foundations of its civilization to India, and that Indian enterprise has done much to develop its resources in the last hundred years. This is true enough; but the average present-day Burman is much less likely to think of India as the source of his religion, his architecture and his writing than as the home of the Chettyar money-lender to whom interest on his debt is overdue, or of the coolie or artisan whose competition he finds so hard to meet. The chief complaint of the Burman against the British Government is that it opened his country to a flood of unrestricted Indian immigration. This immigration introduced an Indian community of over a million among a total population of seventeen millions. The Burman has a remarkable power of absorbing other races; but Indians are difficult to absorb. If they are Moslems their wives have to adopt the Moslem faith and their children have to be brought up in it, a serious matter to the Burmese, whose race and religion are almost inseparable; while if they are Hindus they cannot in most cases contract a legal marriage outside their own caste. This difficulty does not arise with the Chinese, who number nearly a quarter of a million. Their extreme tolerance raises no objection to the bringing up of their children in the Burmese form of the Buddhist religion, which they themselves generally profess to follow in some form or other; but the Chinese and their descendants, even by marriage with other races, seldom lose altogether their sense of loyalty to their country of origin. It is not surprising that the Burmese temperament, fostered by centuries of seclusion from the rest of the world, has developed a xenophobic tendency which resents the

presence of these two large and influential alien communities, and that the leaders of the country look forward with considerable apprehension to its becoming a small buffer-state between the two most populous countries in the world.

AN UNPOLITICAL RACE

THE Burman is a study in contrasts. He combines a high level of natural intelligence and artistic taste, and a widespread system of elementary education through his monastic schools, with superstitions hardly to be matched among the most primitive savages. He combines a kindliness to man and beast, inculcated by his religion, with, at times, extreme cruelty and callousness. He combines a keen and cheerful sense of humour with a tendency to outbursts of passion which gives the country an unenviable record for the number of murders committed every year. He combines a great natural politeness and charm of manner with a national pride which may become actual arrogance. It is little wonder that the different sides of his character have caused very different pictures of him to be drawn. At times he has been over-idealized, as in Fielding Hall's remarkable but now almost forgotten book, *The Soul of a People*. At other times he has been reprobated as idle and thriftless. He may not be one of the world's hardest workers; but it is tempting to ask some of his critics whether they would work much harder if they had the simple tastes of the Burman villager and the blessings of a climate where four months' work, two at seed-time and two at harvest, will produce all the staple food required for the household, and a sufficient balance to sell and provide the purchase-money for the other necessities of life and a fair share of amenities.

This temperament, together with the ignorance of the outer world which was the natural result of the isolation of his country and his disinclination to leave it, made the task of government by modern standards far from easy for him. Politics in Burma are of very recent growth. The political development of India, which may be conveniently dated from the foundation of Congress 60 years ago, aroused little interest in Burma, and it was not until the end of the first world war that there was any real indication of interest in the subject even among the educated classes. That politics should be swayed by extreme nationalism was the natural consequence of their history; and, as there were no clear differences of opinion on the conduct of affairs, party government on British lines hardly existed, and the Ministries were all coalitions from small groups dominated by personalities rather than by policy.

Government service had been the favourite career for the educated classes, industry and the professions being mainly in the hands of Europeans, Indians and Chinese. There is no leisured class, and the natural consequence was the rise of a class of young political careerists, to whom politics held out prospects of power and influence, the *awza* which makes such a strong appeal to the Burman temperament. The background of some of these ambitious young men was not so reputable as it might have been, and graft and corruption were only too prevalent. At the same time there were good features in the

working of the new system. The finances of the country were economically administered, and above all a serious attempt was made to deal with the problem of agricultural indebtedness and rack-renting, the most serious facing the country. The debt was due mainly to the Indian Chettyars, who had financed the development of the great rice-plains of Lower Burma from the days when they were brought under cultivation 70 or 80 years ago. In the course of time a large proportion of the land had come into their hands by the foreclosure of mortgages; and the process had been accelerated by the world depression of 1930, until in 1935 it was estimated that a quarter of the land of Lower Burma was owned by Chettyars, another quarter by other large landlords, and of the remaining half the greater part was under mortgage. The psychological effect of this on a society which had consisted almost entirely of small owner-cultivators was shattering, and the fact that the problem was racial as well as economic made it even more serious.

AFTER LIBERATION

OUR advance into Burma has been unexpectedly rapid. The greater part of the country has been already occupied and its economic restoration and political development have become matters of urgency. The White Paper which has recently been published is therefore of great interest and deserves careful study. A pronouncement of policy has been awaited not only by the Burmans but by many others in this country and elsewhere, particularly by the Americans, who will take our action as an earnest of our intentions with regard to what they call the British Colonial system. To say that they over-simplify the problems of the British Empire may be true, but it is not a sufficient excuse for lack of initiative, and their recent restoration of civil government in the Philippines, though the analogy between the two countries is far from exact, made it all the more incumbent on us to declare our intentions with regard to Burma. All the evidence makes it clear that the Burmans have few illusions left about the Japanese and will be glad to see the last of them. They have realized that "Asia for the Asiatics" meant Asia for the Japanese. The arrogance of their temporary masters, the forced labour ruthlessly imposed, the devastation of the country and the destruction of its whole economic system by the stoppage of the export trade on which its prosperity depended, has led them to welcome our forces as presaging a return to peace and normal life. But this does not necessarily mean that they welcome our return on the same footing as in pre-war days. The number of whole-heartedly pro-Japanese Burmans was always small, and is not likely to have been increased by recent experience, but there are a large number who have to a greater or less extent collaborated with them. Some have done so under duress, others from a genuine feeling that the best thing they could do was to assist in maintaining the day-to-day administration of the country, others from a belief, now seriously shaken, that the "independence" bestowed on them was a real thing. Many of these are naturally anxious for their own personal fate, but they are also anxious for the future of their country.

The British Government has done much for Burma. It has introduced law and order and a methodical system of administration, which never before

existed; and the development of the country's resources has raised the general standard of living. Unfortunately the benefits have been marred by that lack of imagination which is typical of bureaucracies, and they have at times been presented in such an unprepossessing form as to arouse complaint rather than gratitude. The system has become top-heavy and unnecessarily complicated, and the fetish of "efficiency", which does not make a marked appeal to the Burman, has led to his playing only a minor part in the development of the country. Politically this has been changed in recent years, and in some directions the change has perhaps been made at too rapid a pace after the extreme caution of the earlier period, but the whole economic and industrial system is still in the hands of non-Burmans. This is in part due to the apathy of the Burmans; but our system of education, brought over from India, had many failings. It taught them little or nothing of the meaning of the British Commonwealth and their place in it; it did little to train them either for the defence of their own country or for its new industries, and not enough to improve their skill in its main old industry, agriculture. The result is that their political development has gone ahead of their development in other directions.

TOWARDS DOMINION STATUS

THE White Paper deals almost exclusively with constitutional problems and says little about the economic rehabilitation of the country, except that it must precede constitutional reform. The assertion that, until the foundations of Burma's economic life, which have been shattered, "are once again firm, the political institutions which were in operation before the Japanese invasion cannot be restored," will meet with general agreement. The policy of His Majesty's Government, to promote full self-government in Burma until she attains a status equal to that of the Dominions and this country, is clearly and unequivocally laid down, and the preliminary steps before this end can be attained are outlined. First there must be a period of military government whose length will necessarily depend on the future course of the war and cannot be fixed in advance, though all hope it will be short. Then the Civil Government, which for three years has been making its plans in Simla, will take over from the military. For a time, until communications have been to some degree restored, and the machinery necessary for elections and democratic government can be reconstituted, there must be direct rule by the Governor under the control of the British Government. This period is provisionally fixed at three years, and hope is held out that it may be possible to shorten it. Then the constitution of the 1935 Act is to be restored and steps taken for representatives of the Burmese people to draw up a constitution of a type which they themselves consider most suitable for Burma. It is suggested that this need not slavishly follow the model of the British constitution. Even in the preliminary period of direct rule by the Governor it is proposed that he should be assisted as soon as possible by a Burman Executive Council and by a Legislative Council, who would have perforce to be nominated until the machinery of elections can be created.

These are liberal proposals and should go far to satisfy Burman aspirations; but they are bound to meet with criticism. The reasons given for not laying down a fixed period before the attainment of Dominion Status will not satisfy everybody, and comparisons will undoubtedly be made with the American action in the Philippines. It must not, however, be forgotten that the Philippines have a background of 300 years of European civilization and Christianity, while democratic institutions and even any aspirations for them in Burma are barely 25 years old.

The proposal for the Shan States and the tribal areas will disappoint the ardent Burmese nationalists, but it is no use pretending that Burma, though it has nothing like the Hindu-Moslem cleavage of India, is free of minority problems. Only about two-thirds of its people are of pure Burmese stock. The million Karens, with a background mainly of oppression, and the Mons who, though few in number and largely Burmanized, still retain their own language and remember that they first obtained Buddhism and civilization from India and passed them on to the Burmese, as well as the Indian and Chinese communities, are so intermingled with the Burmese that they could not be separated; but the Shan States and the Kachin and Chin hill-tracts are in a different category. They were never under more than the loosest control by the Burmese kings, and they would not welcome being put under a new Burmese government. It is proposed that they "should for the time being be subject to a special régime under the Governor until such time as their inhabitants signify their desire for some suitable form of amalgamation of their territories with Burma proper". It is sincerely to be hoped that the new Burmese government will be able to devise a form of administration which will preserve what is good in their social system and prevent the perpetuation of enclaves, difficult of access, and whose boundaries will be a constant excuse for disputes, in a country which is a clear geographical and economic unity.

The White Paper refrains from dealing with two questions of great economic importance, the return to Burma of non-Burman commercial firms, and the agrarian debt to the Indian Chettyars; and with the future defence of the country. Practically all the big industries (except rice-milling) and the river transport system are in the hands of British firms. The Burmans themselves have not the technical skill required to restore transport and industry, nor could the necessary capital be raised locally. The return of the British firms will raise the cry of "exploitation", but the existing firms are the only agency which can restore conditions in a reasonable time, and it would be a great loss not to make use of their experience; but the Burmans will demand a greater share in the industrial life of the country. British interests as a whole are quite willing to give them such a share, and realize that their own future under an autonomous Burmese government would be seriously jeopardized by any diehard policy, but the Burmans will have to adapt themselves to modern business conditions with more energy than they have displayed in the past, and the Education Department will have to assist them. The problem of the cost of rehabilitation is only briefly mentioned. It is far beyond the capacity of Burma to find the money in any reasonable time; and, as we

failed to protect it against invasion, which was admittedly an Imperial obligation, the lion's share will have to be borne by the British Government.

Defence will afford another important problem. In the past this was undertaken mainly by Indian troops with a small British contingent, and recently by the Burma regiments, recruited mainly from the hill-tribes. The Burmese themselves showed little taste for military service and no attempts to recruit them were very successful. Their lack of any share in the defence of their own country has been a constant grievance, to remedy which will require efforts from both parties.

Perhaps the most important economic and social problem of all is that of the agrarian debt. To allow the Chettyars to resume their position would perpetuate the most unfortunate result of Burma's former union with India. To expropriate them without compensation would be unjust, and the only reasonable solution is a system of state finance of agriculture which has been under discussion for a generation. This can only be built up gradually, but an early start is essential.

Prominent Burmans have clearly announced that they see their country's best prospects as a member of the British Commonwealth. Of the alternatives, complete independence is full of risks. Domination by either India or China has no attraction for the Burmese, and any form of federation of South-east Asia would be liable to domination by one or the other. Mr. K. M. Panikkar's book, *The Future of South-East Asia*, shows clearly that he thinks of India as the controlling partner in such a federation. The problem is not easy; it calls for courage and imagination from both parties; and it is sincerely to be hoped that the Burmans will do their utmost to make a success of the plan now laid down, and that the British Government will supplement it by a fuller declaration of their intentions with regard to the economic aspects, particularly the difficult problems of the agrarian debt, the predominance of non-Burman capital in the country's industries, and the amount of financial assistance, either in the shape of free gifts or of loans, to be given to Burma.

AIR TRANSPORT AND THE DEAD HAND

THE CASE AGAINST THE "CHOSEN INSTRUMENT"

B *BRITISH Air Transport* (Cmd. 6605), presented by the Minister of Civil Aviation to Parliament, is a document which must evoke the admiration of all who relish the well-turned subtle phrase, affording endless scope for interpretation and shade of meaning, to which the English language is so excellently adapted. Its draughtsmanship is brilliant, dodging cleverly the political rocks in the Coalition channel, affording consolation to all but the deeper tints of the blue and red political fringes, appeasing powerful rivals in the field of transportation and cloaking a measure of private enterprise in the trappings of the public utility corporation.

Why, then, has the White Paper started its career in a storm of disapproval? When the dross of political struggle is sifted from the argument, the solid core of reason for opposition to the White Paper is revealed. It is a bad thing for British air transport. Only a political situation can excuse it, and a political situation will not equip Great Britain to meet the needs and competition of air transport in the air age of the imminent to-morrow.

Eventually, political dictates must yield to economics and the advance of science. It may be difficult to produce a substitute document which all parties in the Coalition will underwrite; it will be still more difficult for our air transport operators to provide the magnificent air services which technical development offers the post-war world if they must drag along under the heavy burden of the White Paper's restrictions and short-sightedness. And, as the White Paper has not even received the political support which it was designed to attract, the main reason for its continued existence in its present form has lapsed.

The practical case against the White Paper may be briefly stated in three sentences:

1. It perpetuates monopoly, under an operational control which is unproven in the field of commercial air transport.
2. It provides no scope for the emergence of competitive operational techniques and methods of management.
3. It tends towards technical stagnation in aircraft and ancillary equipment, with grave repercussions on the prosperity of the British aircraft industry and its success in export trade.

The British Government has followed the policy of the "single chosen instrument" in British air transport since the formation of Imperial Airways in 1924. State monopoly, broadly speaking, was also the policy of Germany, Italy, France, Holland and, of course, the Soviet Union. Germany and Italy used the system to augment their military power in the air. Money expended on the German Lufthansa was never publicly announced after 1934. Italy,

almost equally reticent, yet allowed sufficient information to escape to reveal that the costs of the Italian state airlines were 17 times as much per tonne/kilometre as those of the Dutch company K.L.M.; obviously they were not being operated for commercial reasons.

Across the Atlantic, the great United States air transport industry developed in an atmosphere first of free, and subsequently of regulated, competition. The result in the operational and technical fields is clear. American airlines not only flew a great mileage and carried more fare-paying passengers than those of any other nation, with a safety record at least as good as that of any other airline system. They encouraged the development of types of transport aircraft which have done mighty service for the Allied cause in the war, and promise to flood the world's airlines in the years immediately before us.

Some readers of the White Paper will object to the statement that it perpetuates monopoly. They will point out that it provides for the establishment of three Corporations, not one Corporation; that it concerns railway companies, shipping companies and air transport interests; that there will be three Boards and not one Board.

In fact, the Corporations are closely interlocked, through the all-pervading presence of B.O.A.C. directors. They will have but one technical organization and control—a point which is most clearly indicated in the proposal that maintenance and repair, and the training of air crews, shall be pooled and centralized.

On no other detail is so much contradiction apparent in the White Paper. Paragraph 8*a* states that the selected units "must be large enough to operate economically"—clearly as self-contained units. Paragraphs 25 and 26, obliging the three Corporations to combine in creation and management of establishments for maintenance and repair, and for training, deny by implication that they will be large enough to operate as self-contained units. For the control of repair and maintenance and the management of training are fundamental to airline operation. "Unless maintenance is under the control of the company or corporation which is operating the airline", said Sir Frederick Sykes, speaking from the fullness of his experience, in the civil aviation debate, "it seems to me that it cannot be responsible for the airline operation itself."

The answer is not to be found in a single Corporation. Here the White Paper's meaning is clear. In Paragraph 9 it lays down that the single chosen instrument is unsuited to deal with the great expansion of the future. How, then, can a single Corporation deal with those parts of airline operation—maintenance and training—which between them make up perhaps half of the work of airline operation?

Supporters of the White Paper policy may point to the supervisory rôle of the British Overseas Airways Corporation as ensuring the efficiency of the new chosen instruments. While no knowledgeable person will deny the ability and efficiency of the B.O.A.C. officers who are directly responsible at head-quarters and in the regions for the day-to-day operation of B.O.A.C. services, and while it would be futile to deny the great experience of industry

which is available in the Board of the Corporation, it is equally clear that the Board collectively and individually has no experience of commercial air transport operation. B.O.A.C. itself has never worked as a commercial company. Up to the present it has worked, and worked well, as part of the war transport machine in close association with R.A.F. Transport Command and under the direct control of the Secretary of State for Air. Hence its directors have had no opportunity to learn the business of commercial air transport; it is certain that they will find it very different from the operations of war to which they are now becoming accustomed.

RAILWAYS AND THE AIR

BUT, of course, one chief merit of the White Paper is that it provides scope for the knowledge and facilities of the British railways and of some of the shipping companies. Both of these groups have vast experience of transportation, associated in the case of the shipping companies with receptiveness to new ideas and consequent technical development—again in an atmosphere first of free, and later (through the Shipping Conferences) of regulated, competition. Only time can show whether the shipping companies are determined and able to make a success of air transport. The air-minded among us will note with some misgiving that the only technical pronouncements so far made on behalf of one of the shipping groups concentrate in great detail on what air transport cannot do—and will hope that the traditional enterprise and adventurousness of the British mercantile marine are not yet exhausted.

The case of the railway companies, demonstrably much less enterprising bodies, is altogether more sombre. Mrs. Mavis Tate's remark in the House of Commons that the railway companies have not given us an ideal railway service in the past, supported by bitter comment on the quality of the food supplied on British trains and railway stations, underlined in light but telling phrase criticisms which are generally shared, and by none more than progressive technicians and engineers. Before the war the better-known and more widely publicized British long-distance expresses carried in payload less than 5 per cent of their aggregate gross laden weight in coaches and locomotives. The remainder was dead weight of rolling-stock and furnishings, just as it had been for a hundred years. Ventilation was still a matter of opening or not opening a window, exposing the passenger to dust, smuts and smells. Signals still worked broadly on the system which prevailed early in the reign of Queen Victoria. Fog could still dislocate for hours the traffic outside any of our great terminal stations and along any of the main traffic lines.

Our trains, even the most luxurious, still ran on iron wheels in an age of rubber tires. Independent springing, with all it means in passenger comfort and reduction of wear of moving parts, might never have been created for use on the road. The great advances in new metals such as the strong light alloys, promising enormous reductions in structural weight of rolling-stock, were apparently unnoticed by the railway boards. Modern streamlining, involving the complete redesign of stock and including reduction of overall height

made possible by such developments as the rubber wheel and independent springing, was overlooked. Air-conditioning, which the passenger enjoyed years ago in Italian luxury trains—to mention only one foreign example—left the British railway companies unmoved. Above all, not till some ten years ago, with the spur of growing air competition, did the railways begin to accelerate their expresses to speeds higher than the speeds obtaining in the eighties and nineties of the nineteenth century.

Nearer still to the point is dissatisfaction with air services operated by the railway companies before the war. Critics declare that railway air service time-tables were sometimes scheduled deliberately to eliminate real competition with railway services over the same routes, while the companies' refusal at one time to permit bookings through their traffic offices with internal airlines other than those operated by themselves savoured unpleasantly of the brutal use of power to crush opposition.

The White Paper leaves the operation of charter aircraft to unfettered enterprise. When and how a charter service—for example, the carriage of newspapers between London and Paris as operated before the war—becomes a regular air service subject to restrictions is not made clear. Provision is also made for the pre-war independent operators to take an interest, though a small one, in the British-European Corporation, but no compensation will be paid for goodwill accrued through their operations. In spite of the introduction of the railway and shipping companies, the White Paper will not "regard anyone as having a vested interest in the air" (Paragraph 24).

An impartial tribunal is envisaged, with power to consider complaints of the absence of reasonable facilities, the granting of undue preference, and the reasonableness of rates and charges of United Kingdom lines (Paragraph 37). It is to have only a shadow of the scope and authority of the Civil Aeronautics Board, the organization under whose guidance the American airlines have reached their present state of efficiency, and one which many British students of the subject, including not a few members of Parliament, would like to see duplicated here.

The United States Civil Aeronautics Act of 1938, under which the Board (originally styled the Authority) was established, provides for regulated competition under the control of the Board. In effect, all applicants for licence to operate an airline and all tenders for government airmail contracts come within the purview of the Board, which is thus empowered to decide whether lines should be duplicated, service-frequencies augmented or reduced, existing air routes closed down, new routes opened, combinations and pooling agreements confirmed or disallowed.

The tribunal suggested in the White Paper might be used only too easily as mere window-dressing for public opinion, but it will apparently have no powers to introduce competition even where air services are not being operated by the Corporations with the attainable measure of efficiency. There appears no loophole, for example, for the emergence of a new Edward Hillman, confident in a new conception of airline operation. Yet Hillman's initiative of the early 1930's, when he decided that he could make certain services pay without a subsidy if he could, among other things, buy aircraft

at a first cost of not more than £500 per passenger-seat, led directly to a new and valuable development in transport aircraft design and production, and finally to the formation of British Airways, which prodded Imperial Airways to greater activity in one year than K.L.M. competition over the major Empire route to the East achieved in ten.

Many leading people in the aircraft constructing industry are among those who find it difficult to understand why a licensing authority, similar to that operating so successfully in the United States and proposed as the solution of the problem of international control, is considered unsuitable for British and Commonwealth air transport. Grave and far-reaching as might be the results of the White Paper policy in stifling competition for traffic and denying right of entry to the willing applicant, its most serious disadvantages, on a long view, become clear when its effect on the technical development of aircraft is considered.

Up to the outbreak of war the government policy of the chosen instrument failed to offer trade and commerce such an airmail service as the state of technical development rendered possible. It had failed to develop types of civil aircraft which might find a ready market in other countries, and had failed to create a substantial production of civil aircraft in the British industry. Imperial Airways' operational policy called for slow speeds and low wing loadings. The aircraft produced to meet those requirements had their qualities. They were safe and apparently economical, though modern experience has shown that they were really too slow to achieve optimum economy in operation. They suited Imperial Airways, but no one else—not even the British taxpayer who subsidized the chosen instrument's monopoly services.

In the upshot, the buyer of transport aircraft all over the world turned to the United States, where fast twin-engined aeroplanes, developed to meet the rapidly advancing needs of competing airline enterprises, were also available for the world market. It is small consolation to remember that stressed skin all-metal construction and the variable-pitch/constant-speed airscrew adopted to great advantage in these American aircraft were pioneered by British manufacturers—but were late in official adoption here because British official technicians could see no virtue in them.

Technically, the White Paper plan is far more dangerous than the pre-war set-up, because it is much larger in scope and designed to be more enduring. The pervading influence of the B.O.A.C. will mean technical specifications worked out to fulfil uniform operational ideas, and each emanating from the same brain or group of brains. Centralized maintenance and repair are certain to enhance the tendency to technical stagnation. Unless its management is spurred on by competition of other operators, no repair and maintenance organization will support the introduction of new types of equipment. Not only will aircraft and power-plants tend to remain in use for the longest possible period; the plan will induce standardization in all kinds of ancillary equipment, including radio, electrical apparatus, navigational instruments and controls; indeed, in every detail of special equipment contained in the aircraft. The resultant brake on progress would be felt over a very wide

field of British engineering industry, and again with ill effect on our export trade.

THE DANGER OF BINDING THE FUTURE

It has been frequently stated, but cannot be over-stated, that air transport is a new and rapidly developing field of human endeavour. Aviation is still in its childhood, and provides scope for many-sided development. In particular—as Mr. William Burden, of the United States Department of Commerce, and Mr. Oswald Ryan, Civil Aeronautics Board, have stated in letters to the Senatorial Committee on Civil Aviation—air transport offers unusual opportunities for management enterprise in the development of new types of aircraft, improvement in operational technique, and new methods of sales and service. They add that competition of foreign airlines is not an effective stimulus “because of the inevitable tendency in all countries to underrate the technical achievement of other nations”, and they underline the fundamental importance of permitting more than one group of managerial and technical brains to operate independently.

In the world-wide system of lines which Great Britain and the Commonwealth must operate there is illimitable scope for the most ingenious imaginings of rival managerial and technical brains. Commercial aeroplanes must be designed to meet the conditions of the routes over which they are to operate, and the kinds of loads that they will be called upon to carry. Each main service, therefore, may be operated with different types of aircraft, involving an administrative load which cannot be borne efficiently by a centralized repair and maintenance organization. Services in the tropics will need aircraft so “tropicalized” that they will afford comfortable travel over the hottest and most humid territories. Aeroplanes plying across the North Atlantic all through the year will need full de-icing and other measures of “winterization”.

Air-liners which fly across the continents may be obliged by ground configuration to fly high. Across the oceans there is scope both for high flying and for low flying, the latter benefiting from the saving in weight of the aircraft—and consequent increase in payload—due to the absence of pressure-cabin mechanisms and upholstery and of two-stage superchargers.

Some services will demand large aircraft; some small. Even the same route may be operated either by a few large aircraft departing or arriving at lengthy intervals or by smaller aircraft operating more frequently. There is scope for special mail and freight services; scope for passenger expresses; scope for services which seek to carry all three kinds of payload in the same vehicle. Indeed, the field is virtually inexhaustible, and the permutations and combinations—the technical solutions of the operating problems—equally varied. No one head or group of heads can carry all that the post-war transport world will know.

Irresistibly, the student is led to another major conclusion. Not only must there be competition. The competing enterprises would afford a field for fresh ideas, for enthusiasm and energy, for freedom from preconceptions—in a word, for youth. The young and ardent spirits which may soon be set

free from the Royal Air Force, the younger men in the aircraft drawing offices, the men of vision and new thought in transportation industry—these will not find that field in British air transport under the White Paper plan.

Air transport, in spite of the railway companies and the shipping chiefs, is something new, and its problems diverge from those of surface transport just as often as they coincide. Like shipping, with its dependence on tides and weather, the air-liner's movements are dictated by the onset of day or night, by weather at the points of landing and take-off, even by the state of the passenger's stomach as he moves with great speed across the meridians of longitude and alters his wrist-watch every hour or two. But air transport differs profoundly from shipping in its financial and economic structure, its speed, and its ability if need be to rise above the weather.

These differences emphasize the importance of competition in the new element. It happens that "the freedom of air transport from the necessity for large fixed property investment, the relatively small capital needed in proportion to the volume of service rendered and the relatively small fixed cost compared with the variable costs, favour a competitive economy in air transport" (Burden and Ryan).

The liner *Queen Mary* before the war carried some 1,500 first-class passengers across the Atlantic. Her return journey occupied about a fortnight—say, 3,000 passengers. The same number could be carried between Europe and North America by not more than four 100-passenger air-liners, assuming each to make the double journey every three days. Hence, the investment in the vehicle is much less than in the ocean liner. And over routes shorter and less "gilded" than the transatlantic, air services may be considered as belonging more nearly to the taxi category than even to the bus. The resultant flexibility and absence of the restriction inseparable from a large fixed investment are plainly suited for the fullest employment of competitive techniques of operation and management.

In such conditions a central pool, whether for repair and maintenance or for the purchase and leasing of aircraft, becomes more and more obviously a mistake. Control of repair and maintenance is considered, as we have seen, to be one main responsibility of which an airline operator cannot properly be divested. His position is if anything strengthened by the existence in full working order in this country, and elsewhere along our main Empire routes, of large repair organizations where all major repairs could be done under direct contract with the operator and under his control, leaving the day-to-day maintenance and minor repairs to the operator's own engineers and mechanics. Where an efficient organization already exists, it is usually false economy to set up another and costlier one.

The student of the White Paper who is also acquainted with history will find a curious parallel in our present world conditions and the economic circumstances of the later Roman Empire. Then, too, heavy taxation and the aftermath of war coincided with falling trade. Then, too, the bureaucracy multiplied its numbers to supervise and administer numerous controls, including the control of prices. Competition was virtually eliminated over a large field of endeavour, and its results became the subject of Gibbon's tren-

chant comment on monopolists: "The new improvements so easily grasped by the competition of freedom are admitted with slow and sullen reluctance in these proud corporations, above the fear of a rival and below the confession of an error."

It is difficult to escape the conclusion that these Roman bureaucrats would have liked the White Paper plan. But they belong to the period of the decadence and break-up of the Roman Empire. We have been warned. Our politicians must think again.

NOTE: *Further comments on this topic, from viewpoints differing from that of the author of the above article, will be found in the contributions from Great Britain and Australia.* EDITOR.

INDIA

THE POLITICAL SITUATION

INDIA to-day has one eye on San Francisco where Mistress Pandit Nehru and others are lobbying the United Nations Conference in the cause of the Congress party, and the other on London where Lord Wavell is discussing the constitutional problem with His Majesty's Government. India has no information as to the agenda and the course of Lord Wavell's discussions, and consequently does not know quite what to expect. It is assumed, however, that the outcome will be a positive initiative of one kind or another in the field where Indian politicians have failed and, if left to themselves, look like continuing to fail indefinitely. In a sense the deadlock has accordingly been lessened and nationalist politicians are in a more cheerful mood.

The political situation here is much confused, however, and there are few observers who would speculate confidently on the fate of a British initiative. Admittedly the great majority of politically minded people, regardless of their party or community, are in a mood for compromise—with each other and with the British. This is reflected in the proposals which Mr. Bhulabhai Desai, the leader of the Congress Party in the Central Legislative Assembly, is understood to have made to the Viceroy for an interim national government, functioning within the framework of the present Constitution. But the extent which the moderates can influence the official party leaders remains to be seen.

The latter, after sundry mutual and not very fruitful advances, show signs of retiring within their hard shells again. The Congress press declares nothing is acceptable short of a national government responsible to the Central Legislature, which, of course, amounts to asking the British to decide the communal issue in their favour. Mr. Gandhi's offer to Mr. Jinnah, to accept the principle of Pakistan, is regarded by the Hindus as having been withdrawn. Sir Tej Bahadur Sapru's conciliation committee, in their recommendations on the subject of a constitution for a self-governing India, ruled out partition even as a subject for discussion by a Constituent Assembly. Further, Mr. Gandhi is still a force to be reckoned with, and he has told his followers he does not believe in parliamentary methods, which is discouraging for those who want to take office at the centre and see Congress reassume responsibility for government in the Provinces where they resigned at the outbreak of war. At the same time Mr. Gandhi has made an exception to the rule of non-co-operation in the North-West Frontier Province, where he has permitted Congress to take office in order to keep the Muslim League out. Given the release of the ten members of the working committee still in detention, and provided the moderates are able to bring enough pressure to bear on him, Mr. Gandhi may cease to stand in the way of his supporters' aspirations to office elsewhere.

There is, however, a continuing hard core of resistance inside the Congress Party to co-operation with the British on any terms except those of "Quit India", and from what is known of the attitude of Mr. Jawaharlal Nehru and other detained Congress leaders, their influence, once they are at large, is unlikely to be exercised on the side of conciliation.

THE SAPRU COMMITTEE'S REPORTS

SIR TEJ BAHADUR SAPRU's conciliation committee, which, after the failure of the Gandhi-Jinnah conversations, took up the business of trying to reconcile the divergent views of Hindus and Muslims on the subject of a self-governing Constitution, issued their report in April. It was in two instalments. One suggested interim arrangements. The other outlined a permanent constitutional scheme for consideration by a Constituent Assembly, which, in default of agreement between Indians, should, the committee recommended, be in effect imposed upon India by the British Government.

The committee's report dealing with the interim arrangements need not be given much consideration. It was regarded by all the minorities as a propaganda document in favour of the Congress cause and, although the implications of its proposals were not at first glance clear to everyone, the promptitude with which the Committee cabled it to Lord Wavell created immediate suspicion. Mr. Jinnah said bluntly that both the alternative schemes for a national government projected by the committee were out-flanking movements directed at torpedoing Pakistan. He added a warning to the British Government as to the disastrous consequences which would follow if they agreed to constitutional changes that were, directly or indirectly, on the basis of a united India. From the point of view of the British Government the Sapru proposals had the defect that they involved substantial constitutional changes on which the Indian parties and communities were obviously in violent disagreement, and which in any event could not easily be undertaken while hostilities continued.

The minorities were so upset by the Sapru Committee's ideas of suitable interim arrangements that they were by no means disposed to give a fair hearing to the committee's long-range proposals. That was unfortunate, for this section of the report was, if not altogether free from communal bias, a suggestive and helpful document. In fact if India is to remain united it will be on the basis of a constitutional scheme more or less on the lines of that outlined by the Sapru Committee.

A detailed examination of the scheme is scarcely possible in a single dispatch. Its main features were the rejection of any alternative to unity for India. Even the qualified right of non-accession given to the Provinces in the Cripps scheme was ruled out. So was the right of secession to any Province or federating State. The Muslims were given instead safeguards in the form of numerically equal representation with the caste Hindus in the Constituent Assembly, the Union Executive and the Central Legislature. But in return for that they were expected to accept joint electorates with the Hindus instead of their cherished separate electorates. Further protection for

the minorities was envisaged through a system of minority commissions in the Provinces enjoying a status independent of the provincial governments.

We may suppose that the Sapru Committee had kept something up their sleeve for bargaining with the Muslims—separate electorates, for instance. But the Muslims were in the mood to notice not the substantial concessions made to them, but only the exclusion of Pakistan. They asked furiously why Sir Tej Bahadur Sapru and his colleagues should be more reactionary than Mr. Gandhi himself. The extreme Hindu organizations opposed the scheme on the ground that equal representation for the Muslims was a denial of the Hindu heritage. Congressmen noted particularly that, under the Sapru procedure, the Muslims could, in effect, exercise the power of veto in the constitution-making body. The result would be to make the British the final arbiters of the Indians' constitutional destiny. If the communal issue must be decided for, rather than by, India, Congress would prefer international rather than exclusively British arbitration. The scheduled castes had less to say about the scheme, but it is understood that their leaders are not very well satisfied with the Sapru safeguards. It may be added that the temper in which the various interests fell upon the Sapru reports and demolished them confirms the view of most observers in India that constitution making at this stage of India's political evolution is likely to be a very convulsive business.

BASIS FOR A COALITION GOVERNMENT

ONE unfortunate aspect of the Sapru Committee's work is that their proposals for the interim period have, by stimulating Hindu appetite, compromised the possibilities of progress along more modest and practical lines.

Reference was made in the last issue of *THE ROUND TABLE* to the efforts of Mr. Bhulabhai Desai to arrange a basis for a Coalition Government. Since then Mr. Desai has claimed to have put proposals before the Viceroy to which he evidently expects an answer when Lord Wavell returns from London. The details have not been published, but apparently what Mr. Desai and his friends had in mind was that the Viceroy should complete the Indianization of his Executive Council (except for the Commander-in-Chief's seat), apportioning the seats in the proportion of 40 per cent each to the Congress and the Muslim League, and 20 per cent to other interests.

Contingent on the concession to Congress of a share of the power at the centre, Mr. Desai and his friends envisaged the return of the party to ministerial office in the Provinces generally. Elections would be held to the Central and Provincial Legislatures and a start made with constitution making. The new Central Government, it was suggested, would be expected to set up one committee to solve the Hindu-Muslim problem and another to negotiate a draft treaty with Britain. Mr. Desai is said to have come to an understanding with his Muslim League colleague in the Central Legislature, Nawab Zada Liaquat Ali Khan, that, in the event of the acceptance by the British of Mr. Desai's proposals, they would recommend them to their respective party leaders. Here it should be remarked that the Muslims deny any understanding and that, rightly or wrongly, few people take the denial seriously.

The proposals are interesting in that, so far as is known, they involve no large change in the Constitution (although it is difficult to envisage Congress taking office in the Executive Council without some assurances by the Viceroy on the subject of the exercise of his veto). They would give India a government directly representative of the great popular parties who have been in factious opposition to the Government throughout the war. That, if parties did not court a deadlock on any and every question which had a communal flavour, might simplify current administration and post-war planning. However, the immediate advantages to the Government from the accession of the parties are speculative, depending on many factors of which the individual personalities of Ministers or Councillors are not the least important.

Perhaps what would mainly be hoped is that the parties, which had taken responsibility for the Government of India under one constitution, would be found approaching the problems of a future self-governing constitution in a more tolerant and constructive spirit than that shown in irresponsible political quarters of to-day. From that point of view the British might be expected to welcome any opportunity of getting the Congress and the Muslim League into office. The difficulties which delay the realization of Indian aspirations for self-government may be of Indian making, but it is on the British that all parties do and, as time goes on, will in increasing measure vent their exasperation.

There are, however, Mr. Gandhi and Mr. Jinnah to reckon with. Mr. Gandhi is understood to be unable to form any opinion on political projects until he has consulted the Working Committee of Congress, and nothing Mr. Desai has to say will weigh very much with them one way or another. Mr. Desai's credentials for making proposals to the British are in fact sketchy. Mr. Jinnah has always given the appearance of being ready to take office in the centre on the terms which Mr. Desai appears to have conceded. It is known, however, that he is not enthusiastic about it. A successful national government would weaken the argument for Pakistan. But many of Mr. Jinnah's followers are straining at the leash.

A MASTER OF INDIAN FINANCE

By way of a protest against India's dependent status the Congress and Muslim parties co-operated in the budget session of the Central Assembly to throw out the Finance Bill, which accordingly had to be certified by the Acting Viceroy (Sir John Colville, Governor of Bombay). At this session the Legislature took farewell of Sir Jeremy Raisman, who retired from the service after seven years as Finance Member in the Government of India. Sir Jeremy Raisman has made a great impression in this country, which regards him as one of its most distinguished Finance Members. He will be remembered as the first to have imposed heavy direct taxation on India and one who broke the ice in the matter of death duties and agricultural income tax. Although an Englishman, he handled the complicated war finance relations between Britain and India in a way which inspired confidence among Indians of all parties that India's interests were in good hands. His administrative methods in military finance were such, it is admitted, as

smoothed the process of the rearmament and the equipment of India for defence. He kept the national economy on a fairly even keel despite budgets which, by pre-war standards, were immense, and without having at his disposal the resources available to Governments in more highly developed countries for fighting inflation. His successor is Sir Archibald Rowlands, who was already in India as adviser to the Viceroy on war administration and financial adviser to the Supreme Allied Commander, South-East Asia.

PLANS FOR INDUSTRY

HAVING gone through a stormy session in the Legislature, the Government of India ran into another storm of criticism when they announced their decisions on methods of promoting the rapid industrialization of India after the war. Their statement laid down as fundamental objectives the increase of national wealth by the maximum utilization of the country's resources in men and material, better preparation of the country for defence and the provision of a high and stable level of employment. These were generally found to be unexceptionable. But—partly it must be admitted as a result of misunderstanding—the methods proposed by the Government were bitterly attacked by the Hindu and Parsi business community behind whom the nationalist press with few exceptions ranged itself. The Government's statement envisaged the attainment of their objectives through State participation in industry where that was found necessary in the public interest, assistance to industry in various forms, and appropriate control to ensure a balanced development as between the different regions of India, between capital and consumers' goods industries, and between industry and agriculture. It mentioned a substantial number of key industries which "may be nationalized provided adequate private capital is not forthcoming". They declared their intention of assisting industry by arranging for the co-ordinated development of transport and electric power, an efficient survey of mineral resources, the promotion of scientific and industrial research and higher technical education, and in other ways. Where necessary they will also take part, either through loans or by subscribing a share of the capital, in important industrial undertakings.

The size of the field for potential nationalization laid out by the Government worried the business community more than was necessary. The Government's intention, it is understood, is to preserve the largest possible field for private enterprise. It was, however, the control which the Government regard as necessary for the co-ordinated development of industry on the basis of an all-India plan that really excited the critics. In this connexion the Government announced their decision to make the development of some 20 important industries a central government subject instead of, as it is to-day, a provincial subject. First the Government will fix the targets and allocate them on a regional basis, thus ensuring against lopsided development. They will also seek powers from the Legislature to make the starting of new factories and the expansion of old ones subject to licence. Various other controls are envisaged to secure a balanced development of industry, agriculture and social services; to ensure fair wages and decent conditions

of labour generally; to prevent private capital from making excessive profits and finally to prevent an unhealthy concentration of assets in the hands of a few persons or of a special community. This last phrase, inserted doubtless as a safeguard for the less advanced Muslim and scheduled castes sections of the population, got the Hindus and Parsis on the raw. They foresaw the Hindu and Parsi communities being deprived of that full share in the industrial development of the country to which their existing achievements, assets, ability and experience entitle them. The *Eastern Economist*—owned by Mr. G. D. Birla, the industrialist friend of Mr. Gandhi—in an otherwise temperate article lashed the Government for having introduced a vicious and dangerous principle. "This is the enthronement of communalism in economics with a vengeance."

The Government of India, representative as the present Government is of all parties and communities, could not well have issued a statement of industrial policy which did not take account of the fears of Hindu economic domination by the Muslims and scheduled castes. But having regard to the state of feeling in the majority community on the subject, it is difficult to see the Central Government getting from any Indian legislature the powers which they think necessary to carry out the planned industrialization of India.

India,

April 1945.

GREAT BRITAIN

TIRED BUT FREE

SPRING and the colours of spring have been marred by apprehension every year since those distant days of 1937 (did ever eight years pass more slowly?) when all the flags were out for the King's Coronation. In 1938 Austria: in 1939 Czechoslovakia: in 1940 war: in 1941 threat of invasion: in 1942 the Japanese tide: in 1943 and 1944 hope clouded by foreknowledge of the price in casualties. And now in 1945 we have known a real spring again at last. Warmth and the flowers are no longer a mockery against coldness in our hearts. Winter is lifting from Europe.

The two days of holiday ordained by the Government to mark victory over Germany were celebrated with no wanton rejoicing. The crowds in the streets were happy enough, but mainly quiet and controlled; for every one who went out celebrating there were fifty who stayed at home and gave themselves a genuine holiday by taking a rest.

At 3 o'clock on Tuesday afternoon, May 8, Mr. Churchill broadcast that the German war was ended. A few minutes later he could be spied making difficult progress across Parliament Square through a mass of people surging all round him, on his way to the House of Commons to repeat his announcement there. To British eyes the sight of a Prime Minister practically unescorted, enjoying being impeded by thousands of Londoners who obviously regarded him as one of themselves, was more impressive evidence of national strength than any marshalled demonstration at a pre-war Nuremberg rally.

Most people found these great days passing as in a dream. The German war had been going on too long for its end to seem real. The truth is that we are very tired. Whatever political, industrial, or social occurrences in this country the rest of 1945 brings forth, let them be judged in the light of that mastering fact. Apparent light-heartedness may be in reality the light-headedness that follows after long strain and fatigue. No country in the world this year will have so normal an outward look concealing so powerful a mental aftermath of long hours and tension. The forms in which relaxation will express itself are unpredictable.

BOMBING IN RETROSPECT

V-BOMBS have caused a geographical cleavage. Apart from London and coastal districts, the rest of the country from 1942 onwards enjoyed almost entire immunity from air attack—though not from the risk of it. The strange act of the Germans one night just before last Christmas in deciding to loose a quantity of flying bombs at Manchester sounded the first sirens for two or three years over a large part of the North Midlands, and re-inoculated millions of people with the realization that their homes were still within

the perils of war. Otherwise, to most of England, Wales and Scotland the war since 1942 has meant absences, anxieties, shortages, hard work, black-out, Home Guard duties, Civil Defence duties, fireguard duties, but not personal danger.

In London, Kent, Essex and neighbouring counties life has been far otherwise. It was almost as hard for those living outside the affected area to grasp this as for people thousands of miles away in the Dominions or America. From June 15, 1944 to March 28, 1945, London was under almost continuous bombardment. True, the total weight of explosive falling in those nine months was no heavier than in the greatest of our single-night raids on a German city, and the damage done was much less concentrated. But the risk continued by day and night, and the rockets, which started in September and were falling on "Southern England" at the rate of ten a day in February and early March, arrived in a manner which precluded any public warning. London, as yet, only dimly realizes all that the R.A.F. bombing of the preparations on the French coast saved her from. What Germany accomplished by her "retaliation weapons", apart from lamentable damage to a million homes, was to fix indelibly in the minds of the people of the capital that if ever there was a Third World War, there would be no time for preparation as in 1914 or 1939. Its onset could be without warning, and would fall instantly and squarely on them. In matters of peace and war, therefore, political ostriches will for long be scarce in London. That was the bird which rendered it practically impossible to prevent this war.

Retrospect over the whole Civil Defence experience of the past six years confirms the impressions of the 1940-41 blitz winter, that in relation to weight of bombs dropped the damage to property has been more severe, the danger to life and limb less serious, than had been expected before war began. Within these islands 60,000 civilians were killed by hostile action, and a further 86,000 injured badly enough to be detained in hospital. More than half of these were in London. It is over now, and the children who had been dispersed into safer areas, many of them from 1939, are being brought home under official arrangements. Among social workers it will long be a moot point whether the freedom from fear which the dispersed children could enjoy was not more than offset by the loss suffered and the family upset caused through separation from their parents. Evacuation was an insurance policy which it would have been wrong not to take out, but we underestimated the premium. Homes and schools, those must be our objectives now, if we care as we should for the future quality of our population. The educational system has not been demolished here, as in Poland, or perverted, as in Germany, but it has suffered hard knocks through war-time disorganization.

Fireguard duties ended on March 25, when the last risk of incendiary attack seemed over. The black-out, which since last autumn had been permitted to be a dim-out, was lifted on April 23. The following evening the light, darkened since August 31, 1939, shone out again from the top of the Clock Tower to show that Parliament was in session. It is permissible now to reveal that both Houses of Parliament from 1940 onwards possessed an

alternative emergency meeting-place at Church House, Dean's Yard, Westminster, which they used for short periods, and where the King came to open the 1940-41 session. At no time throughout the war, except during secret sessions, was the public gallery of either House closed to visitors.

MAN-POWER COST

WAR-TIME shortages, whether of man-power or of goods, have hardly yet begun to lessen. In April it was decided not to call up for the armed forces any more men born before 1914, but all men still remain liable under the National Service Acts to be directed to essential civilian work. Control over women by the Employment Exchanges was slightly relaxed some months earlier, but all girls in their nineteenth year still have to register, and may be required to take up other employment or training if their existing work is not high enough in the priority list. Immediately the German war ended it was announced that men over 65 or, with few exceptions, women over 50 would be allowed to give up work when they liked, and the expectation is that these age-limits will be gradually reduced. The restriction of call-up to men under 30 provoked an angry idea that this was going to postpone the date of demobilization for men over that age, through reducing replacements; but the Government explained that the numbers under 30 available for call-up, either by reaching the age of 18 or because war developments rendered their retention in industry no longer necessary, would fully equal the numbers whom the services could take in and train. Demobilization of men with the highest qualifications on grounds of age and length of service is due to start in the middle of June, but not more than 750,000 are likely to be released before the end of the year.

Thanks to the convoys and the dogged success of the anti-submarine campaign, it has always been man-power and not material shortage that has set the ultimate limit to the greatness of the British war effort. That explains the tiredness of people. We may soberly rejoice that this war has not massacred our young manhood to the same appalling extent as did the last. From the outbreak until the end of February 1945, the United Kingdom lost 216,000 in the armed forces killed. With the 60,000 civilians killed by hostile action, and 30,000 merchant seamen, that makes 306,000 ascertained deaths. A further 30,000 of the armed forces were reported missing and not known to be prisoners of war up to that date.

MONEY COST

In money cost this war has of course far outsoared 1914-18. The total budget expenditure for the 5½ years up to the end of March was £27,400 million. No less than 49 per cent of this has been met out of current revenue. The rest was covered by borrowing, in the following manner: 22 per cent through small savings; 33 per cent by the sale of other war loans to the public; 31 per cent by floating debt in the hands of the market; 6 per cent from various non-budgetary funds; and 8 per cent from other sources.

Over the whole war period the amount provided by taxation and saving towards financing Government expenditure, and thus rendered unavailable for spending on personal consumption, has been 42 per cent of the personal income of the community. That, in financial terms, is the measure of our effort and our sacrifice.

Sir John Anderson, who is better suited by his job as Chancellor of the Exchequer than by any of the previous Government posts he has efficiently held, opened the eighth war-time budget on April 24. Budget day no longer crowds the House of Commons as it did in times of party controversy over taxation policy, and may do again. It was no surprise that he left the main rates of taxation unchanged. Budgeting for a total expenditure of £5,565 million (about £500 million less than the record figure of the previous year), he calculated that almost three-fifths would be met from current revenue, reducing to £2,300 million the gap which borrowing would have to cover. But that must be guesswork, as he granted. World events may bring relief faster than a cautious Treasury can safely reckon on. He hinted at the probability of a further budget in the autumn. None of the major political parties would be likely to defend the continuance of an income-tax so high as 10s. in the £ for longer than was absolutely necessary. But an autumn reduction would not in any case take effect before the beginning of the financial year in the following April. That is a consequence of the new pay-as-you-earn system, which has been operated with laudable smoothness since its introduction a year ago, but apparently will always necessitate an interval of some months before any change in the main rate of income-tax can be brought into force. This has political as well as financial and economic implications for the future.

Meanwhile, the budget speech announced a few minor adjustments. The limit of exemption from 100 per cent Excess Profits Tax in the case of small businesses is being slightly raised—a step to which no party objects. As previously disclosed, the car licence duty after the war is to be based on cylinder capacity, not on horse-power calculated from cylinder area. All regard this as an improvement, though few believe that it goes far enough towards removing the restrictive influence on size of engine which hitherto has so badly handicapped the sale of British cars abroad. The most warmly welcomed news in the whole budget was Sir John's announcement that a treaty for the avoidance of double taxation had been negotiated with the United States. It goes farther than existing arrangements between this country and the Dominions, but the law here is being altered to enable similar agreements to be concluded with countries inside or outside the Commonwealth, and it is hoped that discussions with the Dominions for complete mutual relief from double taxation may be opened shortly. The American treaty will lift one set of admittedly damaging burdens off British industry and commerce. Another set will be largely mitigated by an Income Tax Bill which this practical-minded Chancellor of the Exchequer has introduced, fulfilling a promise he made a year ago, to bring nearer into line with reasonable depreciation policy the tax allowances granted on new industrial buildings, machinery, farms and mining assets.

LEGISLATION IN PROGRESS

PARLIAMENT has been steadily working on other substantial but unspectacular legislation. The nightly raids on London in 1940 compelled the Commons to change their hours of sitting and to meet at 11 a.m. in order to rise in the early evening. Not until March 1945 did they change back, meeting now at 2.15 and sitting till 9.45 p.m. This releases the mornings and renders it possible to set up Standing Committees again—non-existent since 1939—to which Bills can be referred. The earliest to be thus handled was a comprehensive Water Bill, which for the first time places on the Minister of Health the duty of promoting the provision of adequate water supplies, the conservation of water resources and the effective execution by water undertakings of a national water policy. To use a cliché appositely for once, it will not nationalize water suppliers, as the Labour party would like to do, but it will help to rationalize them. A Forestry Bill clears the ground for the vastly increased afforestation policy which will be needed after the war, by transferring responsibility from the somewhat anomalously independent Forestry Commission to the Minister of Agriculture and the Secretary for Scotland. A so-called Requisitioned Land and War Works Bill attempts to resolve the numerous and complex cases where land taken for war purposes cannot be lightly handed back to the owner because valuable buildings have meanwhile been erected on it at Government expense; the House sniffed suspiciously at this Bill, and only proceeded with it on condition of drastic amendment in the directions of curtailing Treasury influence and safeguarding agricultural and common rights.

A Family Allowance Bill implements the Government's promise to institute allowances of 5s. a week for every child after the first, at a cost to the taxpayer of some £60 million a year. This is a step on the road to eliminating child poverty and safeguarding the standard of life of parents who serve the nation by bringing children into the world, and as such it has all-party support. In economic importance perhaps the most far-reaching of this mixed collection of legislative measures is a Distribution of Industry Bill, which purports to enable the Government to secure a better industrial balance over the country as a whole, by stimulating development in those areas where lack of balance exists, with consequent risk of unemployment, and controlling it in other districts where that seems desirable for economic, social or strategic reasons. The Bill ran into well-informed criticism, not against its declared purpose but against the inadequacy and amateurishness of its machinery and the believed unfitness of the Board of Trade with its present staffing to carry the responsibilities entailed.

A new Ministry of Civil Aviation was created at the end of last year, with Lord Swinton (an excellently vigorous choice) as the first Minister. The Government has now set forth its post-war plans in a White Paper which, like so many others prepared by the present Coalition, bears conspicuous evidence of having emerged as a compromise out of clashing party views. It proposes a series of corporations to exercise monopoly rights in different parts of the field. It rejects the American system of free participation in any

route subject to a licensing system, on the valid ground that at the present stage of development in this country that would lead to a situation in which the individually profitable routes (such as London to Paris) would alone be served, and the long-suffering taxpayer would be called upon to subsidize services on other routes which, though nationally desirable, were not likely on this small island to provide enough air traffic for some time to make them pay. It rejects even more decisively the general Labour view that civil aviation should be a State monopoly, and that railways and shipping lines and other private operators should be shut out of the air. In the Lords, where the Government plan was first debated, it had a generally favourable reception. The Commons were more critical, with Labour back-benchers avowedly hostile. The view which prevailed on the Conservative side was that if all-party support could be assured for the plan, it should be accepted as a compromise, but that if Labour was going to back out of even this it would be better to contend for real private enterprise, and make no concessions to State participation or control.

ELECTION ATMOSPHERE

THE announcement that the king will dissolve Parliament on June 15, and that a general election will be held on July 5, necessarily postpones to the assembly of the new House of Commons the introduction of Bills on this and other promised subjects. The intention of the Labour and Liberal parties to leave the Government at some date after the defeat of Germany had long been a known fact. Mr. Churchill could hardly relish the prospect of a prolonged interval between their departure and the general election. It would afford them an invaluable opportunity for loud opposition without responsibility, at a difficult and emotional time when a rump Government was bound to be unpopular anyhow. Moreover it would leave him during critical months an uncertain figure in international affairs, negotiating with foreign statesmen who could only guess whether he still possessed the confidence of his own people. This question was acutely raised by a by-election on April 26 at Chelmsford, a traditionally safe Conservative seat where the Conservative candidate polled only 18,000 votes against 24,000 given to a young bomber pilot standing in the name of Sir Richard Acland's little splinter party, Common Wealth. Had the local Conservative organization been less self-confident and incompetent, the result might have been different. As things were, it came as a political shock, though no wise person presumed to argue from it to the probable outcome of a general election, when vaster forces would be loosed.

To speak of a trend to the Left is a commonplace. It would be more exact to talk of a trend away from the Right, for there is no sign of any great accession of popularity to Labour or any other party. The electorate has been induced by several years of ardent propaganda from the Left to differentiate sharply between the Conservative party and Mr. Churchill, though he is its leader. At this moment many electors would vote against a Conservative candidate without full awareness that they were voting to put Mr. Churchill out, and not only that, but to put Mr. Attlee or Sir

Archibald Sinclair in. If this comes home to people before polling-day, Mr. Churchill and the Conservatives will probably win, and with their Liberal National and Independent allies command a working majority. But no one is confidently prophesying. The service vote—about one-eighth of the whole—is unpredictable. So is the effect of war-time movements of population, for the summer election will be fought on a register based on places of residence at January 31 last. Shortage of paper, petrol and election workers will enhance the relative importance of the broadcast in influencing votes, and there is no one who can touch Mr. Churchill's radio power. He has it in him to turn the tide at present flowing against his party, which has been predominant in successive Governments for the last 14 years, but he will need all the fire of his eloquence to do it.

The Liberals opposed to him whom Sir Archibald Sinclair leads have declared their intention of nominating large numbers of candidates, almost as large as the Conservative and Labour battalions. Sir William Beveridge is throwing the strength of his name and brain into their election campaign. Yet it will be surprising if the poll sends enough Liberals to Parliament to offer any real chance of a Liberal revival there. The party has shrunk too far to recover, unless it can find a brilliant young leader to revitalize the power of its appeal; and there is none yet.

LORD LLOYD GEORGE

On the eve of our second defeat of Germany, he who had been the last great young Liberal leader passed away. David Lloyd George first entered the Government when he was 42. After nearly 17 continuous years in office he went out at the age of only 59, in 1922, and never returned. Outside Wales, these last 15 years he had ceased to count as a potent force in politics. His debating skill remained. He was the last orator in the House of Commons who knew how to use his hands. The tragedy was that from 1922 onwards he could never find another true task for himself.

His detractors were numerous, at almost all times. Yet he towered above the common run of men. It was his energy, his eloquence, and his imaginative administration that pumped into British political life the first realization of what enlightened social services could be. It was those same qualities, and something unquenchable about the man, that put him among the strongest war leaders that this country has ever seen. In the deserving of Britain's gratitude he ranks with the highest. Of only one other in political life can it be said to-day, now that Lord Lloyd George has died: "There goes a man of genius."

Great Britain,
May 1945.

TRENDS IN CANADIAN DEMOCRACY

ON June 11 of this year the electors of the Dominion will decide the fate of the present Federal Government, while on June 4 the Province of Ontario will hold its general election. This exceptional amount of political activity in a single month suggests the subject-matter of the present article—the present trends in Canadian democracy.

REGIONS AND RACES

THE political life of Canada is one of blends and composites. It of course reveals the salient traits of a North American country; it exhibits a section of North American democracy in action, with many of the psychological features which de Tocqueville discerned in the United States more than a century ago and which developed in a people long absorbed in conquering the peculiar physical environment of the continent. It is without the revolutionary tradition of the United States. Its political temper on the contrary has been fashioned by relatively slow and cautious evolution. But it is exposed to a perennial stream of cultural influences from its republican neighbour, illustrated most notably in the behaviour and procedures of political parties and in the functioning of municipal institutions. Yet Canadian democracy is more than North American. It has held tenaciously to a vast inheritance of British institutions, law, symbolism, traditions and ideas which has modified the impress of the continent upon it. Many an American observer in Canada remarks upon the subtle and genuine differences of institutional atmosphere, differences which in English-speaking Canada at any rate are derived from the British inheritance.

There are, however, special elements in the political life of Canada which make it distinct from either Great Britain or the United States, especially its peculiar dual nationalism, French and British, rooted now in a lengthy history. The French, embracing some 30 per cent of the population of Canada, constitute probably the most traditionalist community in North America, drawing inspiration not merely from their regional traditionalism in the St. Lawrence valley but from the Catholic culture of Europe. They shrink from becoming lost in the continental melting-pot, and hence are ever on guard to protect themselves against an undue influence from their English-speaking associates in the Dominion. This experiment in bifurcated nationalism inevitably generates within the State many weaknesses and sharp disharmonies. Most obviously it hampers the achievement of a truly national will on both domestic and external policies, never more evident and serious than under the grim strains of war during the past five years. The members of each national group are often apt to look upon the others as strange, remote and incalculable. Nevertheless who would deny that there has been progress since the days when Lord Durham wrote that the two races "combine for no public object; they cannot harmonize even in associations of

charity"? They now increasingly join in furthering common social ends, most significantly those ends pursued by political parties. They can collaborate least readily in formulating and prosecuting a national foreign policy, mainly because the French have been too candidly absorbed as a community in the parochial effort to preserve itself in an Anglo-Saxon America to appreciate the relations of that America to the outer world.

Besides bi-nationalism a profound force in the working of Canadian democracy is regionalism, produced here inevitably, as in the United States and Australia, by the large territorial extent of the country and the separation of communities by distance and industrial interests. Canadian regionalism as compared with that of the sister Dominion, Australia, has always been sharpened by the cardinal fact that Canadian regions are neighbours to self-conscious regions in the United States, draw inspiration from the presence of regional sentiment across the border, and in times of special stress and discontent may enviously wonder whether a merging in the neighbouring American regions might not be desirable. This north-south axis of thought has the effect of making national unity at times appear ambiguous and uncertain. It retards the spontaneous emergence of public opinion on national issues, and imposes on political leaders problems much less familiar in such a highly unified nation as Great Britain.

Such are some general and fundamental features of Canadian democracy which the present war may partially affect but cannot transform. Let us now examine briefly the influence of the war upon some of the specific aspects of the political system.

FEDERALISM

ON the eve of the present war the federal system had been under a keener scrutiny than at any time during its history of 70 odd years. The depression of the 'thirties had sharpened its internal strains, exposed weaknesses in the original distribution of legislative power, and especially revealed how inadequate was the co-ordination of finance with function. In the outlying provinces, notably Saskatchewan, which possessed the least diversified economies and were dependent upon primary products, the defects of the existing system were starkly evident. These provinces had less concentrated income to tax than those which were more highly industrialized, such as Ontario and Quebec; they were strained in obtaining money for agrarian relief and public services, and had to turn to Ottawa for assistance. Their dependence upon the national treasury grimly mocked the autonomy which they possessed under the British North America Act.

In 1937 a Royal Commission, now known generally as the Rowell-Sirois Commission, was appointed to carry out a grand inquest on Canadian federalism, especially in its financial aspects. Its report and recommendations, submitted after the outbreak of the present war, have been discussed in previous issues of *THE ROUND TABLE*,* and need not be described here otherwise than to emphasize that they are still in the main to be implemented for the period of peace. Some significant changes have occurred in recent years. An

* See No. 110, March 1938, p. 365, and No. 120, September 1940, p. 906.

amendment of the British North America Act in 1940 empowered the Dominion to introduce and administer unemployment insurance. Under a tax agreement in 1942 the provinces surrendered to the Dominion for the duration of the war and one year longer the collection of income and corporation taxes, while they received in return certain guaranteed payments. The Rowell-Sirois Commission had previously recommended that the provinces should permanently abandon income taxes, corporation taxes and succession duties to the Dominion, and the war-time agreement is a partial implementation of the recommendations. The crucial question is how far, when the war is over, the provinces will agree to continue the present tax arrangements or even extend them further towards realizing the suggestions of the Rowell-Sirois Commission. Prophecy is here needless. But as long as Dominion income-tax rates remain high, most provinces are unlikely to be eager to give up what they at present receive in order to impose a duplicate personal income tax. The same restraint is not likely to be evident in the case of corporation taxes, and succession duties were not surrendered under the agreement of 1942. It is of interest that a Bill was introduced in the Quebec Legislature in March of the present year to authorize the Government to reopen the agreement with the Dominion. In Quebec the pressure of the local nationalist argument is likely to dictate action that will run counter to fiscal convenience.

The more general and fundamental question is how far the war has enhanced national cohesion and made public opinion more ready to sanction a reallocation of powers within the federation, strengthening the hand of the Dominion in dealing with national matters. It is still too early to assess confidently the effect of the war upon national thought and sentiment in this matter, but the contemporary evidence does not indicate that with the return of peace a greater centralization would be popular. The present irritated state of French nationalism in Quebec would in itself preclude the possibility of significant constitutional changes, and elsewhere in Canada a reaction against controls administered from Ottawa is inevitable. The federal issue will not be any easier to dispose of than it was before 1939. Nothing but the most skilful political leadership can achieve those necessary federal readjustments which the Rowell-Sirois Commission recommended.

Yet the profound economic and social repercussions of the war make changes more imperative than ever, or at least demand more effective collaboration between provinces and Dominion. The unprecedented stimulus to certain industries has meant an even greater concentration of economic power in central Canada, upon which the regions on the periphery, especially the Maritimes and the Prairie Provinces, will be restlessly dependent. This hegemony of the centre will be tolerable to the peripheral provinces only if the Dominion can maintain through proper expenditure common social standards for Canada as a nation. Nothing is more certain than the persistent pressure for those standards, and their recognition is needed for the achievement of a cohesive nation. Yet the naked fact is that the present distribution of legislative and taxing power in the constitution hampers far-reaching national policies, unless judicial interpretation of the British North

America Act becomes different. The grim wastage of the 'thirties might return when a federal government, impotent under the constitution to act effectively, faced widespread unemployment and economic dislocation. The authority gained in 1940 to administer unemployment insurance is not sufficient because it does not involve authority to take all the positive measures necessary to provide employment.

The urgency of the constitutional issue in the subsequent peace will be accentuated because of the many things the Federal Government has been promptly able to do during the war. Such significant Dominion measures as wage-freezing, salary ceiling, commodity price controls, priorities, rationing, rent restriction and selective service have been constitutional only in virtue of the war emergency, and in a time of peace their constitutionality would be open to swift challenge. Yet some of these measures are doubtless complementary to an aggressive policy promoting full employment, which policy is the declared ambition of Canadian national parties. However little the general Canadian public at present realizes the fact, it must ultimately decide whether or not it wants a constitution which will permit national leaders to cope more effectively with the tangled character of modern economic issues. It need scarcely be added that the issue is not that of a federal versus a unitary system. No realist in Canada would advocate complete centralization. The overwhelming opinion and sentiments of the people remain in favour of federalism. The issue now and after the war is simply whether a *status quo* is to prevail in the federal structure or whether those changes are effected which, as the Rowell-Sirois Commission emphasized, would achieve a more logical relationship between the financial resources of the provinces and their functions.

POLITICAL PARTIES AND POLICIES

POLITICAL parties in Canada are no less prompt than those in other parliamentary democracies to reflect new swings of opinion among the people, new pressures for action by the State, and new wrenches to old political conceptions and procedures. The parties to-day are exhibiting the pervasive influences of the war, although these influences are not revolutionary; they merely continue with greater vigour what was begun by the social tensions in the depression of the 'thirties.

Since the 'seventies of the last century Canada has had two main parties, both of which are anxious to be national in the sense of gaining support from both races, from members of every religion, and from all the main regions of the country. The party which is most effective in making a comprehensive appeal to the diverse elements in the nation is that which ordinarily holds the reins of office in Ottawa. The first truly national party was the Conservative under Sir John Macdonald, who had a remarkable genius for attracting support from French and English, Catholics and Protestants, capitalists and labour men. The consummate skill of Macdonald was almost matched later by that of Sir Wilfrid Laurier when he assumed the leadership of the Liberal party and especially when he became Prime Minister. Under Laurier's successor, William Lyon Mackenzie King, the Liberal party has retained its

national character, more so than its opponent, and not merely because of Mr. King's undoubted tactical skill but because for a generation the conscription issue of 1917 alienated the French from supporting the Conservatives.

The issue of conscription in the present war has widened the rift between Quebec and what is now the Progressive Conservative party, which is hampered in efforts to win office by the almost solid phalanx of opposition that it has to face in the French province. This failure of the Conservatives to obtain a secure footing in Quebec (a province which has more than a quarter of the total representation in the national Parliament) is specially serious for them because in the cities and towns generally, where hitherto they have had their chief strength, they have encountered in recent years a challenge from a third party, the Co-operative Commonwealth Federation, with its appeal in particular to the working men and small middle class. Shortly after this article appears in print, a general election will be held. Prophecy is here gratuitous, but no special prophetic power is necessary to emphasize that if the Conservatives are to replace the Liberals in office they must make up for lack of success in Quebec by decisive victories elsewhere in Canada. They could of course be aided indirectly by the triumph in Quebec of a nationalist party which dislodged the orthodox Liberals. Quebec has clearly the pivotal rôle to play in the alignments of political power, and the circumstances of the war era have made that rôle more crucial than ever. Its electors have the power to decide whether either of the two old parties can claim to be truly national and to rule at Ottawa as a national party.

Even more significant than the influences which determine the electoral fate of the parties is the effect of the war in changing their programmes and hence in altering the agenda for action by the State. The Liberal Government at Ottawa, under compulsion of new currents of opinion, has embarked upon extensive schemes of public welfare which in the 'twenties it would have repudiated as revolutionary. It first established a national unemployment insurance scheme, administered with the consent of the provinces. Then it embarked upon a far-reaching plan of family allowances on a cash donation basis, designed to distribute purchasing power, and thus to assist other policies for full employment. The family allowances will involve an annual expenditure of at least \$200 million, and payments begin in July 1945. The magnitude of this measure is reflected in the fact that it will add approximately a 50 per cent increase to the pre-war federal budget and will involve an expenditure twice that hitherto made in Canada on education and almost equal to the total sum spent on social welfare, including relief, in the year 1937.

Upon this, the most far-reaching measure of social legislation projected by any Canadian government, the Conservative party, except for an early criticism by its national leader, has made no frontal attack. Indeed, on the issue of increasing public expenditure on such social services, there is no genuine issue between the parties.* On the contrary there is intense rivalry in demonstrating to the electorate that a new era has begun in the functions

* The Conservative press, however, at the outset was critical of family allowances as a form of electoral bribery, especially the bribery of voters in Quebec.

of the State, and that measures of social security must assume a foremost place. The Conservative party sought to give symbolic recognition to the fact by changing its name in the Winnipeg Convention of December 1942 to the Progressive Conservative party and by writing fresh declarations on social reform into its programme. Its leaders are ready to debate on the details of measures and to differ on methods, but will evidently match dollar with dollar in their zeal to enhance the social standards of rural and urban people. This fact, it is almost needless to add, is of fundamental importance in relation to the rôle of the State in Canadian life. The expenditures of all governments on public welfare and relief rose modestly from 6 per cent of total expenditures in 1913 to 8 per cent in 1929; then in the depressed years it moved rapidly to 25 per cent by 1937.* With the new enactments of the war era the spending trend of the 'thirties is quickened, although the vast increase in public welfare spending will only appear clearly when expenditures upon the sinews of war cease. The advancing industrialism of Canada, the drift from the country to the town, the shrinking security of the family farm, the growing proportion of older people in the population, and the new views on State responsibility, especially as related to the concept of full employment, all exert powerful pressure on the two main parties to pursue the goals towards which they now look.

Reference has already been made to the Co-operative Commonwealth Federation or C.C.F., a third party which has arisen to challenge its two older competitors. The C.C.F. was the child of depression in the early 'thirties. Formed in 1932 as a farmer-labour alliance, it sought as the ultimate solvent of existing difficulties a co-operative and socialist state. It was long led by James Woodsworth, a zealous humanitarian inspired by Fabian and Christian Socialist ideas, who has been succeeded by Mr. M. J. Coldwell, a man with more opportunism and command of tactics. The C.C.F. has become greatly strengthened by developments in the period of the war. It has exhibited vitality in federal by-elections, did well in the Ontario provincial voting of 1943, and dislodged from power a Liberal Government in Saskatchewan in the election of 1944. Whereas in the 'thirties its main strength was among agrarians in the West, it has more recently made headway in the industrialized urban areas of Ontario, mainly owing to the stimulus which the war has given to trade unionism and the aid which the trade unions are ready to lend to a party eager to outbid the other parties in promises of social betterment. The total membership of Canadian trade unions at the close of 1938 was 385,000; by the end of 1942 it had risen close to 600,000, and in subsequent years has steadily mounted far beyond any figure reached before. A fresh and significant feature is the extension of trade unionism to the small factories in the medium cities and country towns. Much of the increased membership has been enrolled in industrial unions, in which it has been easier than in craft unions to shift the appeal from an exhortation for industrial action to an exhortation for political action. It need not be assumed that all the unionized workers will vote for the C.C.F., but there is no question that the party has a stout ally in this expanding unionism. In the few large urban

* *Report of the Rowell-Strois Commission*, i. 207.

areas it has to contend for the support of labour with the Labour Progressive Party, which is the name adopted by the erstwhile Communists. Its increasing reliance upon organized labour is making the C.C.F. into an association little different from the Labour parties of Great Britain, Australia and New Zealand, and it may be expected to campaign in accordance with a similar strategy.

The broad significance of the C.C.F. as a third party is that it spurs both of the old parties to emphasize social welfare in their programmes. Its demands, of course, go beyond social services to include measures of state ownership, culminating in a socialist order. Liberals and Conservatives alike seek to equal its requests for social services, while they denounce its socialism as meaning tyrannical controls, an irresponsible bureaucracy and the loss of freedom. In other words the debate in Canadian politics to-day increasingly echoes the disputations in European democracies before the war. Here the ideological struggle is less sharply defined, but we have clearly moved far from the simple time when it was declared that "Canadian politics was merely railways, and railways were politics". The implications to party leadership of this new era of increasing collectivism and debated collectivism are evident enough. The easy-going empiricism of Canadian political leadership in the past must yield—and fortunately is yielding—to more exact social and economic analysis. Into the professionalism of the politician is entering more science if not less art.

The political and economic policies of Canadian parties in the international sphere are not matters of much party controversy. All the parties, including the peculiarly regional Social Credit party of Alberta, argue for the establishment of an international system, and plead that Canada must throw her weight behind this system when it is created. Some verbal clashes have occurred between Liberals and Conservatives in the House of Commons over the relation of Canada to the British Commonwealth. The Conservatives have contended that Mr. King has not been sufficiently positive in furthering policies of collaboration within the Commonwealth, that he has been too content to stand negatively on Canada's national status, and too eager to conciliate Quebec which is not friendly to imperial collaboration. Yet the importance of this echo of older cleavages between the Conservatives and Liberals might easily be over-emphasized. Whatever the verbal emphasis may be, leaders of major parties to-day are not far apart in their ideas on Canada and the Commonwealth.

All postulate the position of Canada as a self-governing nation, all accept its free association in the Commonwealth, all would seek to make real its collaboration with other States of the Commonwealth, and all appear to see no conflict between a free Commonwealth and an international system. While these are the general agreements, there would doubtless be somewhat different actions taken by leaders in particular instances. But the mass of Canadians to-day are convinced that the participation of Canada in the war as a partner in the Commonwealth has been completely vindicated, and their pride in its achievements will be a force in shaping its future nationality.

Canada,

April 1945.

AUSTRALIA

THE PROBLEM OF REINSTATEMENT

AUSTRALIA'S first Royal Governor-General arrived in time to open the new session of the Federal Parliament, which promises to be lively. The Duke and Duchess of Gloucester have quickly settled in, and in addition to their official duties at Canberra have made early opportunity for contact with the public. There can be no doubt that their presence is to the Australian people a satisfying personal link with Great Britain.

In his opening speech the Duke of Gloucester presented Parliament with a full programme—as prepared by his Ministers—of controversial legislation, demonstrating that the Commonwealth Government is now beginning to prepare for peace and reconstruction, and in the process is seeking to adopt permanently part of the war-time technique of control.

During the latter part of last year when the Prime Minister was ill his deputy, Mr. Forde, announced several policy decisions which aroused intense criticism, both on their merits and on the ground that they could not be reconciled with Mr. Curtin's pre-election and pre-referendum pledges against introducing socialism in war-time. It may be that the latter, who has resumed the reins in time for the new session,* may be willing to meet some of the Opposition's objections.

One of the most delicate matters he has had to handle with his own party has been the question of preference in employment for men and women discharged from the Services. Mr. Curtin considers himself bound by his policy speech at the 1943 election; when he undertook to present a Bill to deal "fairly, justly and effectively with the question of preference for members of the Forces", and also by the frequent assurances he has given at other times that the Government would provide adequate preference.

To define an adequate and just policy of preference, however, is proving a matter of extreme difficulty, and the precedent of the last war is no guide. Then, when the battle-front was many thousands of miles from Australia, it was a simple matter to make a rule in favour of the "returned soldier" who had volunteered to go overseas. Now the war has touched Australian soil, and it has been necessary to take precautions against a threatened invasion. This has resulted in the maintenance of a conscript defence force, some of whose members have fought gallantly, but many of whom have not seen any fighting at all. In addition there have been large administrative staffs in the southern cities which have not been exposed to personal danger.

On the other hand, certain civilians such as merchant seamen have run considerable personal risk, and the Government's solution is to grant preference in engagement for employment to a person who has been a member of

* It is unhappily reported (April 30) that Mr. Curtin has again been admitted to hospital, suffering from congestion of the lungs.—*Editor.*

the Forces during this or the last war, or whose civilian service in this war merits his receiving preferential treatment.

The requirements of the Bill introduced by the Minister for Post-War Reconstruction, Mr. Dedman, apply equally to Governments and to private employers. Preference is not absolute, however, for the qualifications of the applicants for a post and their general suitability may be taken into account. An applicant who is dissatisfied with an employer's decision may appeal to a magistrate. In addition to new employment, the Bill provides for the reinstatement of persons who desire to resume their former employment after war service.

Strong objection to the principle of preference has been raised by the trade unions on the ground that workers in key industries have not been permitted to enlist although many of them desired to do so, and it is contended that such persons should not be placed under any disadvantages after the war. The unions have looked by no means kindly upon a programme which conflicts with their own traditional policy of preference for unionists. They argue that preference is a "defeatist" step, since to be of any value it must presuppose the existence of unemployment, whereas the first duty of a Labour Government is held to be the prevention of any recurrence of unemployment after the war. Thus the President of the Australian Trades and Labour Council declared that preference could do no more than provide ex-servicemen with some sort of priority in a scramble for jobs, whereas every person in the Services was entitled to a job and also entitled to rehabilitation at the Government's expense, to fit him for occupation of his own choosing.

The political wing of the Labour party—possibly having a keener appreciation of public sentiment in the electorate—has not displayed the same distaste for preference. The question was first thrashed out between the Government and the federal executive of the party, which, after a long discussion with the Prime Minister, finally agreed to accept the preference principle, although it asked that there should be a time-limit of seven years on the operation of soldiers' preference.

In its amended form Caucus accepted the preference plan, largely as the result of the personal appeal of the Prime Minister, who took his stand on the point of principle. The Bill is comprehensive, dealing not only with preference pure and simple, but also providing for a government employment service, vocational training, and various allowances and other forms of financial assistance for servicemen re-establishing themselves in civil life. Mr. Dedman, describing the Government's plans for the benefit of servicemen, said that there were various long-continuing national responsibilities such as pensions and medical care which were being dealt with by other legislation. The present measure was concerned with re-establishment, and for the most part was likely to operate only during the reconstruction period.

Although preference is now certain to be enacted by Parliament, there may well be some further modifications of the Government's proposals, which do not satisfy the returned soldiers' organizations. The time limit in particular

has been hotly criticized, but on this the Government is bound by the Caucus decision. No solution which would completely satisfy both Opposition critics and the trade unions is possible, so the Government is open to attack on both flanks.

CIVIL AVIATION, SOCIALISM AND THE CONSTITUTION

THE Acting Prime Minister provoked a violent reaction when he announced in Parliament in November the Government's decision "that a wholly Government-owned statutory authority be formed to take over, operate and maintain all inter-state airlines". He explained that the assets of the present airline companies would be "taken over on fair and just terms".

The Government was reminded with a great deal of emphasis of the Prime Minister's speeches in the 1943 election, when he declared that his Government did not intend to socialize Australia "just because there was a war on". At the time, this undertaking was not sufficiently clear and unequivocal to satisfy some of his critics, and in his final broadcast, three days before the election, he said, "My Government will not, during the war, socialize any industry". On his return from convalescence Mr. Curtin endorsed the decision of his colleagues, and explained that it was necessary to conserve the airways of the country so that they should be "absolutely without external influence in their control and direction".

Subsequent reports from Canberra, however, have indicated that the Cabinet has been by no means single-minded over the proposal. Doubts have been cast upon the constitutionality of the plan, and critics have not been slow to recall that at two successive referenda, the public has refused to grant the Commonwealth powers over aviation. Airline operators, after taking legal advice, have announced their intention of contesting the validity of the legislation in the Courts—"to the Privy Council if necessary"—and litigation might seriously delay the development of civil aviation at a critical period.

A weighty addition to these uncertainties has been a public condemnation of the plan by Mr. A. M. Corbett, a former Director-General of Civil Aviation, and recently chairman of an inter-departmental committee appointed by the Government to report on the future control and development of air transport in Australia. The report has not been released, but Mr. Corbett declared that "nothing can prevent political interference and disorganization in any industry owned by the Government in which untrained and inexperienced Ministers assumed the rôle of managing directors and overrode the advice of trained executives". He also said that nothing could be achieved by nationalization which could not be better obtained at less cost by individual enterprise under proper government control, as already existed. At the same time it must be remembered that practically all the railways in Australia are owned and operated by Governments, and in some States at least they are run economically and efficiently with little political interference. The form which control is to take has been a matter for considerable speculation, the Governor-General's speech merely disclosing that "proposals for a statutory authority to control inter-state airlines will be brought before

Parliament". At the time of writing the Government has not revealed details of its proposals.

THE STATE AND THE BANKS

THE Government—and its directing body, the Labour Caucus—have not had the same difficulty in making up their collective mind on the highly technical and complex question of control of banking. This question has been the special hobby of the Treasurer for many years, however, and, since he was a member of the Royal Commission appointed by a previous Commonwealth Government to inquire into banking, he has been evolving definite ideas on the subject, and most of his colleagues are content to rely on his knowledge and judgment. Nor are any constitutional obstacles apparent, for the Commonwealth is endowed with full power to legislate with respect to banking other than State banking.

The proposals fall roughly into three sections, the first being designed to continue the present emergency controls over the trading banks (which in London would be known as "clearing banks"). These controls are at present established by regulations under the National Security Act, which lapses after the end of the war, and they are administered principally by the Commonwealth Bank. They include such matters as foreign exchange control, the fixing of interest rates for various classes of advances, and provision for the supply of certain information periodically to the central bank or the Treasury.

Should any bank fail to comply with the provisions of the Act, a full High Court of not fewer than three Judges will be empowered to direct the Commonwealth Bank to carry on the business of the offender. The Commonwealth Bank is also to be given power to examine the stability of a trading bank and to take over the business of any bank which may, in its own or the Commonwealth Bank's opinion, be unlikely to meet its obligations. Complete control over the investment policy of the banks would also be held by the Commonwealth Bank, which would retain the right to define, in general terms, the purposes for which loans might be made. Government or Stock Exchange securities could be bought only with express permission and the funds available to the trading banks could be varied at will by the central bank, which could require them to deposit more money in their special blocked account at the Commonwealth Bank, or vice versa.

The second—and most strongly criticized—part of the plan provides for the abolition of the present Commonwealth Bank Board, consisting of the Governor of the Bank, the Secretary to the Treasury, and six others "who are or have been actively engaged in agriculture, commerce, finance or industry". Instead management is to be entrusted to the Governor, aided by an advisory committee composed of officials of the Treasury and of the Bank itself. Where there is a clash of vital policy between the Governor and the Treasurer, it is provided that the views of the Treasurer shall prevail, so that for practical purposes it might be said that the Treasurer, or Cabinet, will take the place of the Bank Board. Thirdly, the functions of the Commonwealth Bank are to be extended. The central reserve and general trading sections of the Bank

are to be separated, and new facilities will be provided for making loans to industry and for purposes such as housing.

In the past it has not been the policy of the Bank to seek general banking business, although it has conducted a department for such business as came its way. Now, however, it is to be not merely encouraged, but directed, to extend its operations in ordinary banking. It will be given a statutory charter to use its powers to the advantage of Australia, and the Government may intervene on the ground that it is not discharging its functions. It will be assisted in extending its business by a clause in the proposed legislation which restrains the trading banks, except with the Treasurer's consent, from conducting any banking business for a State or any authority of a State, including a local governing authority. The trading banks have been aroused to intense hostility by what they and the political Opposition and a substantial body of public opinion denounce as "political control of banking", and several of the banks have issued circulars on the question. The following is a typical extract:

"It would involve control over all production by the Government which chose to exercise it. No person or company would be able to borrow from a bank except for such purposes as the Government or its agents might approve; the effect on individual freedom and initiative would be serious. Further, the credit normally available for carrying on the various activities of the community could be diverted by the Government to financing unsound ventures, leaving the industries and commerce of the country starved for finance."

The trading banks are naturally perturbed by the assumption of such powers by a Government most of whose members are more or less hostile to them. "Nationalization of banking" has long been part of the Labour platform, and the new legislation would enable the Commonwealth Bank, under the direction of the Treasurer, to squeeze competitors from the field. Mr. Chifley declares himself in favour of a policy of "gradualness", but the outlook is none the less disturbing for the private banks.

The technical efficiency of the trading banks has not been questioned; fundamentally the matter is one of control. The Labour party has never forgiven the banks for their opposition to the financial policy of the last Commonwealth Labour Government, in the depression; and among the general public there is a fairly widespread tendency, despite the opinion to the contrary of such authorities as Professor Copland, to blame the banks for pursuing a restrictive course at that time. This view is not always well-informed or just, but it is a factor to be reckoned with, and wins many supporters for the familiar but specious argument that "money can always be found for war and it must be found for peace".

CALAMITIES OF AGRICULTURE

WHILE the Commonwealth Government's political philosophy is being made manifest in these several ways, and is drawing a sharp fire from its critics, the immediate practical tasks of war-time administration grow no less. Nowhere is the battle more acute than on the food front, for it was agreed

about a year ago that Australia should restrict many of her manufacturing activities in order to concentrate upon food production; but the ensuing season has been one of the most disastrous in history.

The drought of 1944-45 has been both widespread and exceptionally severe. Although Tasmania is enjoying a good season, and conditions in Western Australia and parts of South Australia and Victoria have been passable, the eastern and inland areas of the continent have suffered exceedingly. Some recent good rains on the coasts and in the north have brought a little relief, but the terrible losses of the pastoral and wheat-growing regions have yet to be fully felt. A country which is normally one of the great wheat exporters of the world now has insufficient for its own needs, and the effects will be reflected in all other rural industries.

In a normal year Australia produces about 150 million bushels, whereas last harvest is estimated at 50 million bushels. Total stocks at the end of 1944 were 65 million bushels, and to the end of January only 38 million bushels of new wheat had been delivered. Local consumption will require about 35 million bushels, and supplies of export flour for the British Ministry of Food, American forces and the Pacific Islands call for 12 million bushels. Allowances for seed, export wheat and flour reserve amount to about 8 million bushels, so that less than 50 million bushels will be available for stock feed.

Loss of stock through starvation has already been heavy, and producers in industries such as dairying, who rely on hand feeding, are already seriously embarrassed by the fodder shortage. A system of priorities has been established and the available quantity of wheat, although far short of total requirements, can go far towards mitigating the worst effects of the drought. Unfortunately, grave land and sea transport difficulties impede the flow of relief supplies to the places where they are most urgently needed. The Commonwealth plans to ship 20 million bushels to New South Wales from the western States, but nothing like the shipping needed to complete the transfer is likely to be available in the near future.

The crop failure and loss of stock are now being felt in the increasing dearth of foods available for consumption. Production of meat this year is estimated at 965,000 tons, or 70,000 tons less than last year, although the arrival of the British Fleet has added to the demand, and substantial quantities are also being sought for the British troops in Burma. As one step to meet the new stringency the civilian ration has been cut by 9 per cent to effect a saving of 40,000 tons.

The natural compensation for Australia's periodic seasonal disasters is a remarkable power of recuperation, and it is by no means impossible that the next season will be as bountiful as the present one is meagre; but no immediate improvement can be expected, and for the next five or six months the country must remain on short commons.

One rural industry which will need more than a good season to re-establish, however, is that of dairying, for a large number of men engaged in this arduous but normally profitable occupation have been experiencing growing difficulty in carrying on. Theirs was one of the industries to suffer most

severely from lack of man-power; and, although this has been partially rectified by releasing men from the army, the dairy farmers are extremely dissatisfied with their returns under government price-fixing, and scores of them have been abandoning their dairy herds.

The Commonwealth Government has not added to its prestige or popularity by its handling of rural affairs, and the raising of controversial post-war questions has lost it much of the support accorded it for the prosecution of the war.

THE NEW PARTY

A FEATURE of the local political scene during the last six months has been the emergence of a new cohesion and sense of purpose among the Opposition groups. Mr. Menzies last year took the initiative in arranging a series of conferences at which it was agreed to found an entirely new party, known as the Liberal party, the philosophy of which should be essentially based on freedom of enterprise and the liberty of the individual.

Since the débâcle of the old United Australia party at the last Commonwealth elections in 1943, the public has been inclined to regard with scepticism the attempts to bring together the various non-Labour groups to make a United Opposition. Hitherto those efforts have been found unconvincing, being too much in the nature of deathbed repentances. Now, however, it seems that the Liberal party is being accepted as something genuinely new, having a strong appeal for a growing public which is weary of war-time restrictions and government control. Membership has been increasing rapidly, and local branches of the new party are being established throughout the electorates. Although it has been the "off season" for party politics in Australia, with no Federal election due for over a year, the numerous local meetings addressed by Mr. Menzies and party organizers have been unusually well attended, and the audiences have displayed a keen interest in the Liberal programme.

Whether or not the Curtin Government has to face internal dissension in the Labour ranks as a result of soldiers' preference and other measures, its post-war programme is providing the new party with much useful electioneering material, and the Liberal party will be a factor to be reckoned with at the next elections.

Australia,

April 1945.

SOUTH AFRICA

THE BUDGET

AN unexpected surplus has long become so common a feature of the South African budget that it is no longer unexpected. When Mr. Hofmeyr introduced his new budget on February 28 he was able to announce a favourable balance of £3,250,000 on revenue account in spite of expenditure nearly £5,500,000 in excess of his estimates of revenue. In THE ROUND TABLE for June 1944 it was said that Mr. Hofmeyr should find no difficulty in balancing his budget, but in view of the difficulties facing the gold mines it was hardly expected that the estimates would be exceeded by so large a margin.

It is true that the Minister of Finance is careful not to talk of a surplus, but only of a "favourable balance". As Opposition critics rightly point out, no meaning can be attached to a surplus on revenue account when net borrowing of £57 million takes place on loan account. Yet, after all, it is a matter for congratulation that on revenue account we are some £8 to £9 million better off than was expected, while at the same time net borrowing on loan account is some £3½ million less than was expected a year ago.

Some items of revenue have fallen considerably below the level of the budget estimates. The decreased profits of gold mining have created a shortfall of almost £1 million in normal income tax and special contribution from this important source. The increased death duties are not expected to yield more than they did on the lower scale in the previous year, making another shortfall of more than £1 million. On the other hand, income tax on private individuals will exceed the estimates by £1,500,000, while last year's decline in the yield from "other" companies has not continued, so that an additional £350,000 may be expected from this source. The main increase, however, is in the yield of excess profits duty and trade profits special levy, which together will exceed the original estimates by over £3 million, while post office revenue is expected to bring in a further £500,000. The total tax yield is £4 million higher than the estimates; £2 million brought into the current year's accounts represents an underestimate of the previous year's balance even as revised for the last budget and nearly £2,750,000 of estimated expenditure will not be incurred.

NEW FINANCIAL ADJUSTMENTS

DEFENCE expenditure is the item to which all others must conform, and is the most difficult of all to foresee. In the coming year defence and demobilization between them are being allocated £89 million on the first estimates, comprising from revenue nearly £45½ million for defence and £3½ million for demobilization, and from loan funds over £37 million for defence and £3 million for demobilization. Especially in view of the gradual and almost

automatic increase in other votes as a result of past commitments, this does not represent such a saving as to permit of far-reaching changes within the framework of the budgetary system which Mr. Hofmeyr and his predecessors have built up. Perhaps, in view of the uncertainties of the coming year, no far-reaching changes are proposed.

The most interesting and most important budgetary changes in fact have only a minor significance in the present budget, though it is hoped that their importance will continue to grow. Some 20 years ago the financial basis of native education was settled as a fixed subsidy of £340,000 plus one-fifth of the yield of the native poll tax. Mr. Hofmeyr has successively increased the proportion of the native poll tax which was paid to the Native Trust and used for educational purposes; and last year, for the first time and as an *ad hoc* measure, native education received additional funds from general revenue instead of being dependent on the yield of the native poll tax. Under the Native Education Finance Bill now before Parliament native education will be financed from general revenue out of a new native education vote without reference to the amounts received in poll tax.

While the responsibility of the separate Provinces for the provision of education, which is placed on them by the South Africa Act, is to remain, they will now be able to go ahead without the old handicap of inelastic financial resources in the form of fixed block grants or assigned revenues. At the same time greater co-ordination between the Provinces is to be secured by the formation of a Union Advisory Council on Native Education for which the Department of Native Affairs is to provide the secretariat. Thus close contact is also ensured between the two Government Departments most closely concerned.

The Bill is a compromise, but a hopeful compromise. Though the net additional provision to be made in the budget is only £255,000, the way has now become clear for the more rapid expansion of native education. In the long run the effects of this should become apparent on the revenue as well as the expenditure side of the budget. The time has long passed when South Africans ought earnestly to have asked themselves whether the country could afford to carry the burden of continued native ignorance and illiteracy.

A new financial arrangement has also been made with the Provinces. This is also of the nature of a compromise; and indeed in its main lines is a reversion towards the system existing from 1913 to 1925 when the Union subsidized the Provinces to the extent of half their expenditure from their own taxes. In addition, fixed subsidies are to be paid to three of the Provinces: £300,000 for the Orange Free State, £150,000 for the Cape and £100,000 for Natal. Various specially assigned sources of revenue are to revert to the Union Exchequer. The result in the coming year is that approximately an extra £5½ million must be voted as subsidies to provincial administrations, as against which the latter will have to give up sources of revenue which will bring in some £3 million and undertake responsibility for a school feeding scheme as far as children, other than natives, are concerned, which previously cost £700,000. Very nearly £2 million extra

therefore remains to be budgeted for by the Union Government for provincial purposes.

TAXATION IN 1945-46

TAKING into account the new provincial subsidies both for general purposes and native education, the estimates of expenditure on revenue account for 1945-46 amount to almost £124 million, and of net borrowing on loan account to £56 million. The estimates of revenue are also considerably higher than for 1944-45. On the existing basis of taxation Mr. Hofmeyr expects an increase of very nearly £1,500,000 from customs and excise, of £300,000 from the post office, of £1,500,000 from income tax and super-tax on individuals and on companies other than those engaged in gold and diamond mining; and £500,000 from death duties. As against this must be placed the estimated decline of £750,000 from gold-mining taxation, £500,000 from excess profits duty and a number of smaller items. Including the revenue items sacrificed by the Provinces and the yield from the poll tax given up by the Native Trust, the tax yield would, it is estimated, come to within £500,000 of the estimated expenditure on revenue account.

Some comparatively minor changes are being made to bridge this gap. The only one to call for mention is the abandonment of the attempt to enforce small amounts of compulsory saving on the non-income-tax-payer. Half the basic payment of personal and savings-fund levy is no longer regarded as savings, and payment itself is to be reduced but not by half.

Mr. Hofmeyr perhaps invited criticism by claiming this as a "transition" budget. For critics on the one side found little sign of transition towards the post-war world of state-financed "social security". Those on the other side saw as little sign of revision of those war-time tax measures which have been attacked at one time or another as offending against all four of Adam Smith's canons of taxation—equity and economy, convenience and certainty—and as discouraging that growth of business enterprise which must form the basis of true social security. Such changes as Mr. Hofmeyr foreshadowed were left for the future except for the very restricted modification of the fixed property profits tax and an allowance of 15 per cent of the capital cost of new plant and machinery purchased in 1945-46 and 1946-47, which may be charged against income in the year of purchase.

Reconsideration of mining taxation is to be undertaken by an inter-departmental committee yet to be appointed. Reconsideration is also pending both in the new war taxes and pre-war income-tax system; and means of giving relief which would encourage industrial research are another question up for discussion. Even so, no sweeping changes are contemplated in the relations between the taxation of individuals and of companies. Perhaps it might have been wiser to refer to the present budget more modestly as an interim budget, since transition has still to be mapped out.

THE QUESTION OF INFLATION

To make the transition to post-war conditions successfully it is necessary to face the present situation with open eyes. In defending his own

stewardship against the criticism of the Opposition, Mr. Hofmeyr has gone dangerously far towards encouraging the fatal complacency that denies the existence of any inflation by quoting with approval the statement of the Governor of the South African Reserve Bank:

"But this increase in prices is not caused by inflation! As soon as more goods reach the country from abroad, as soon as local production increases and becomes less costly, and as soon as purchasing power gets back to a more normal level the increase in prices will stop and the cost of living will come down."

This passage might well be interpreted as an admission of an abnormally high level of purchasing power coupled with an abnormally low flow of goods to absorb it, that is with the prerequisites of inflation. Is there any automatic process by which "purchasing power gets back to a more normal level" unless as a result of a loss of demand for war purposes operating through unemployment, wage reduction and drastic deflation?

Nobody denies that millions of pounds of idle purchasing power exist in South Africa to-day. To this may be added the fresh purchasing power created to pay war-service gratuities and other benefits, all liable to cause an acute post-war inflationary rush for goods. Mr. Churchill has indicated that it would be a heartless fraud on the people to grant lavish benefits at the expense of depreciating their money. Yet, unless the people are alive to the dangers, inflation remains a serious threat to post-war standards of living. It will hardly help if the Minister of Finance quotes the Governor of the Reserve Bank to deny this possibility, leaving it open for the Governor in turn to rely on the Minister's authority to deny all responsibility if ever it is suggested that the Bank's gold purchases have an inflationary effect. Mr. Hofmeyr has not in the past shown himself unaware of the dangers of inflation. It would be a pity if the community were to be put off its guard by statements which he himself did not intend as an encouragement to complacency.

"A TRANSITION SESSION"

THE parliamentary session, which at the time of writing has about a month to go to complete its work, has been "a transition session" in the sense that Mr. Hofmeyr had in mind when he called his budget a "transition budget". The war as an ideological and emotional issue has been less prominent in debate; and on the whole members have shown a healthy tendency to concentrate on matters such as food, health, social security, demobilization, housing, soil erosion, native policy and similar matters involved in the successful prosecution of the peace.

The customary motion of attack moved by the Opposition reflected this tendency to concentrate on matters of actual rather than sentimental importance, and, in place of demanding a republic or a separate peace with Germany, Dr. Malan moved a vote of censure based on the Government's food, health and social-security policies. The debate failed on the whole to make any considerable impression on the public, and General Smuts, without much difficulty, received an overwhelming vote of confidence. If the Government did not strengthen its position in the country—that would be

asking a lot at a time when the grievances and discontents of a long war tend to be emphasized more as the actual danger recedes—it certainly has not lost ground to any important extent.

Ministers were called on to meet sharp attacks under the headings of food, health and housing, and on the whole they did so successfully. The food situation in South Africa, although not serious by European standards, has given cause for fairly widespread discontent. The policy of getting food to the poor plus the insistence on an elaborate meat scheme, which had to run the gauntlet of several sets of vested interests, enabled the Minister of Agriculture to present a fairly strong defence, and as the session progressed criticism of the food policy became less vocal. That does not necessarily mean that the problems have been disposed of.

A more serious attack supported by the full force of the Opposition, a substantial section of the Government coalition and important sections of opinion outside the House had to be faced on the health policy. As reported in the March number of *THE ROUND TABLE*, the National Health Commission drafted an attractive scheme providing for co-ordinated and extended health services on an elaborate nation-wide scale. There was a good deal of understandable disappointment when, shortly before the appearance of the report, General Smuts rather tactlessly gave the impression that the report was to be pigeonholed in advance. This gave rise to a good deal of criticism and protest until the public and the House realized more clearly the dilemma in which the Government had been placed by the fact that the Commission's scheme requires the taking over by the central Government of important health services such as hospitals, which are reserved by the constitution to the Provinces. It was reluctantly realized that a compromise was inevitable and, with some misgivings, the Government is to proceed with a modified health scheme in which the Provinces will play a full part, co-ordinating machinery being set up to compensate for the multiplicity of authorities which will be concerned when South Africa finally tackles the health problem.

Housing was another subject on which the Government was attacked off and on throughout the session. The Government is planning vigorously and widely, but there is a general complaint that too much is on paper and too few houses are actually being built. These plans, admirable as they are as plans, need the co-operation of municipalities and other local authorities of varying sizes and differing degrees of efficiency. It was not long before there was evidence of a danger that the housing plans would be lost in a fog of dispute, recrimination and "passing the buck", which seems inevitable when action is called for by a number of different and largely independent authorities. As the session progressed, the Government's attitude hardened; and finally the Minister, Mr. Lawrence, announced bluntly that, as the Government and only the Government would be blamed if the houses were not there, the Government proposed to take full powers to compel the building of houses, preferably with the co-operation of local authorities, but if necessary without that co-operation.

It is a symptom of the times that native affairs caused a larger part of the

discussion than usual. We do not want to be over-optimistic, but it is possible to observe in the current discussion of this very difficult South African topic a better spirit, more reasonable, realistic and responsible, as well as enlightened, than has sometimes been the case. The drift of natives to the towns has created problems, social and economic, which cannot be ignored. Before long the course of events will necessitate the serious reconsideration of the principle of the migratory labour system of taking natives from the territories to the town, where they live in barracks divorced from the controls and sanctions of family life. Whether we like it or not, more and more natives are becoming permanent residents in towns, and acceptance of the fact will require far-reaching adjustments of state and industrial policy.

Another of the urgent long-range matters on which there is discernible a wide measure of agreement is soil erosion. Dr. Bennett, a distinguished American expert, visited this country and presented a report making wise and urgent recommendations requiring early action if South Africa's soil is to be prevented from going into the sea. The Government recognizes the urgency of the problem, even if it does not go all the way with public opinion and its critics on both sides of the House.

AFRICAN AND FOREIGN RELATIONS

GENERAL Smuts and Dr. Malan also came closer together than they normally do on the discussion of the Union's relations with other countries in Africa. General Smuts categorically renounced imperialistic ambitions for South Africa, but he expressed the general opinion when he maintained that, for reasons of economic importance and geographical situation, the Union must play a leading part in sub-continental matters. The Southern Africa Air Conference was held while Parliament was sitting, and was outstandingly successful, at any rate in the sense that agreement was rapidly reached on all matters on the agenda. The probability is that the air conference will become a model for the discussion of sub-continental affairs; the opinion as expressed by General Smuts is that matters of common continental interest should be discussed at an *ad hoc* conference rather than through any permanent machinery of an "African League of Nations" type.

The discussion of foreign affairs usually has a poor showing in the South African Parliament. International developments of whatever scale of importance are almost invariably interpreted in terms of local party political partisanship, and too much emotion and too many irrelevancies are introduced for any really worth-while discussion to be possible. There were one or two attempts at a foreign affairs debate, but more heat than light was engendered. It is difficult to find any common ground for the discussion of foreign affairs, since the Nationalist Opposition harbours a keen dislike and suspicion of Soviet Russia, which is often expressed in terms which would be a credit to Goebbels's powers of invective.

There were some lively moments in the debate on the banning by the Government of the *Broederbond**. There was much heated discussion on the

* See THE ROUND TABLE, March 1945, No. 138, p. 184.

Government's action during the recess, but the storm which was expected in Parliament was less violent than it might have been. The debate ended with the honours about even—the Nationalists were not altogether happy in the protests they felt compelled to register and General Smuts's revelations of subversive activities on the part of the *Bond* were neither so detailed nor so sensational as had been expected.

In line with the best parliamentary thought, the Union took the first step in the wake of the House of Commons and the Australian Parliament in seeking to place some curb on government by regulation, which was the subject of Lord Hewart's famous book *The New Despotism*. As in other Parliaments, Ministers have a weakness for introducing clauses in most of their Bills giving wide powers for making regulations by ministerial edict, and in some cases there is a tendency to usurp the authority of the courts. The case against the delegation of legislative and judicial functions was well put by two of the younger members of the House, and accepted in principle by the Government. Investigations are now under way, and it is probable that, within a fairly short time, the Union Parliament will establish something similar to the scrutinizing committee of the House of Commons.

South Africa,
April 1945.

NEW ZEALAND

UNDERMINING STABILIZATION

THE chief feature of the past quarter has been the undermining of the stabilization scheme, so far at least as concerns salaries and wages. Amended regulations had made loopholes in its bastions allowing for a revision of wages in certain cases. When the plan was first applied many sections of workers found themselves in a disadvantageous position, which further deteriorated as a result of the success achieved by certain groups in obtaining concessions by pressure methods. Parliament itself widened the breach by an increase in members' salaries. The Government has for some time been pressed for increases of pay by the railwaymen, whose claims for revision of pay and conditions of work were generally admitted to be long overdue; by civil servants, post and telegraph employees and teachers, most of the last named having had no increase since the outbreak of war and, in despair of getting satisfaction for their reasonable demands, having more than once discussed a general strike.

The Government first dealt with the railwaymen. On April 4, 1944, the Government Railways Amendment Act established a Government Railways Industrial Tribunal of three for the purpose of enquiring into, and dealing with, the pay and conditions of employees of the Railways Department other than administrative officers. The tribunal appointed had a stipendiary magistrate as president and, after taking a large amount of evidence, adjourned on January 12 to consider its findings, which were published on February 16. In the second division, which includes *inter alia* engine drivers, firemen and cleaners and railway tradesmen, a general increase of 3½*d.* an hour was granted to all employees, making the new hourly wage rates of skilled workers 3*s.* 0½*d.*, semi-skilled 2*s.* 8½*d.* to 2*s.* 11*d.*, unskilled 2*s.* 7½*d.* In some cases the increase was greater. The average increase of the whole division was approximately 12 per cent. In the first division graduated increases of salary were granted. The new rates operate from June 30, 1944. The tribunal stated that the increases would not impair the economic stability of New Zealand, but would remove genuine grievances and restore morale in an organization playing a vital part in the community. At a later date the tribunal gave its decision on improved conditions in the service. The majority of the tribunal differed from the railwaymen's representative, Dr. W. B. Sutch, who advocated equal pay for women doing the same work as men and considered that the increase of pay for railway tradesmen was too low and "adversely altered their relative position compared with labourers". By the flat rate increase the tribunal has accentuated the tendency steadily to diminish the difference between the rates of pay of skilled and unskilled workers, with the probable result of increasing the shortage of skilled tradesmen in all branches of industry.

Meanwhile in February an amendment had been made in the stabilization

regulations allowing a great flood of increases to pour through the breach already made. The effect of the amendment was thus expressed in popular language by the Prime Minister:

"The Arbitration Court", he said, "is enabled to take into account disparities which have arisen within the wages structure through some groups receiving increases while others have not received them. The Court is empowered to amend existing awards and agreements so as to restore the balance between the different classes of workers and to take into account the desirability of so fixing rates of remuneration as to restore and preserve a proper relationship with the rates of other workers or classes of workers."

Prior to the decisions of the Railways Tribunal the Prime Minister, the Public Service Commissioner and the Uniformity Committee representing the civil service had been negotiating for a revision of pay and conditions of that service. On receipt of that tribunal's findings, the Prime Minister promptly and adroitly cut the Gordian knot and relieved the pressure on the Government by announcing that, in accordance with the spirit of the new stabilization amendment, the increases granted by the tribunal would be applicable to the civil service, post and telegraph department, and teachers, with the same retrospective effect. The anomalies that may be expected from this sweeping decision may be illustrated by the fact that secondary school teachers had had their salaries and conditions revised and had obtained increases before the Prime Minister's decision, but the increase announced by him will apply to them notwithstanding.

On April 17 the Government announced its approval of substantial increases of salary to full-time officers of the University of New Zealand and affiliated colleges, and that a grant had already been made covering increases from June 30, 1944. The next wave of the flood of increased wages came from the Arbitration Court, Mr. Justice Tyndall announcing on February 14 that the Court would not make further awards or approve any further agreements for the purposes of the stabilization regulations until it had made a general wages pronouncement and the parties to the various industrial disputes had had an opportunity of reconsidering their partial or complete settlements in the light of such pronouncement. The Court accordingly held, early in March, a conference between representatives of employers and workers. The former opposed an increase and pointed out forcibly that the reason why the stabilization plan had not succeeded was that there had not been a single authority fixing wages, but many, such as the Waterfront Control Commission, the Coal Mines Council and numerous committees set up under the strike and lockout emergency regulations of 1939. The appropriate step to prevent the wage structure from becoming unbalanced would be to delegate all wage fixation to one authority and to impose a penalty on those declining to accept the findings of such an authority. The Court's unanimous pronouncement on March 19 gave an all-round increase of standard minimum wage to adult male workers in industry of, broadly speaking, $3\frac{1}{4}\%$ an hour over the Court's 1937 pronouncement. It made no pronouncement regarding the standard rates of women or juniors. It directed that all amendments of awards or industrial agreements made

within a reasonable time should have effect from April 1, 1945. This pronouncement, which applies only to workers covered by industrial awards and agreements, does not automatically increase the standard wages of such workers. It is merely a statement of policy by which the Court will be guided when an application for the amendment of an existing award comes before it, so as to facilitate agreement by the parties without the necessity of such an application, which in the absence of such an agreement must be made to the Court by every class of workers affected by the award of which amendment is sought.

The pronouncement gives the same discouragement to the skilled worker as did the Railways Tribunal's decision, the percentage increase in the various categories being: skilled workers 10.6 per cent, semi-skilled 10.3 to 12 per cent, unskilled 12.5 per cent. The unions of skilled workers have expressed their disappointment and point out that, since the war began, the margins of their members have been progressively reduced by various means, until to-day many unskilled workers are receiving little less than most tradesmen; and they say that after the war is over the position of skilled tradesmen will require rectification if the country is not to suffer from a dearth of tradesmen.

THE PRICE TRIBUNAL

THE Price Tribunal has acted promptly in meeting the problem presented by the pronouncement of the Arbitration Court. In ascertaining the cost of production the tribunal had to consider four elements, *viz.* materials, direct labour, direct manufacturing expenses or factory on-cost and overhead, and to make provision for increases in the last three. It decided, first, that the increased costs could be recovered by the manufacturer with the proviso that, if the manufacturer could absorb all or part of the additional labour costs, he may be required to do so. Secondly, it was necessary to determine the extent to which prices should be increased to permit such recovery. The circumstances required that this be done quickly, and it was obvious that the position of each individual manufacturer could not be reviewed in the time available.

To save time the tribunal accepted representations from groups of industry, and the impact of wage increases was measured in various selected concerns within each group. The total wages increase for the firm, both direct and indirect, was expressed as a percentage of the direct labour cost element explained above. The percentages of selected firms within each group were averaged, and all concerns within the group were granted permission to add to their selling price that average percentage of the labour content of the article being produced. This means in effect that manufacturers recover their increased costs but make no profit on those increases. This is a temporary measure and its anomalies are realized. It is the intention of the tribunal to review individual traders' costs and prices as soon as may conveniently be arranged, when the necessary adjustments will be made.

It is difficult to see what other course the tribunal could reasonably have adopted, but it appears that the country is threatened with the real danger

against which Sir William Beveridge has given a warning, that sectional wage bargaining pursued regardless of the effect upon prices may lead to a vicious spiral of inflation, with money wages chasing prices, and without any gain in real wages for the working class as a whole; and that irresponsible sectional wage bargaining may lead to inflationary developments, which bestow no benefits on the working class, spell expropriation for the old-age pensioner and small rentier, and endanger the very policy of full employment whose maintenance is a vital common interest for all wage-earners.

It has been pointed out that these large increases by no means redress all the anomalies, for they leave the non-award wage and salary earners, the rentier, the pensioner and generally those with fixed incomes, who are least able to take care of themselves, still out in the cold, and give to militant groups the opportunity of seeking to obtain more concessions. The further question naturally arises, from what sources these increases are to be met. The Minister of Finance estimates that the increase in wages in the current year will be between £10 million and £20 million. The purchase of the Bank of New Zealand shares is estimated as likely to cost £10 million. The Government has not yet given an answer to this question.

THE BANK OF NEW ZEALAND

At the end of March the Minister of Finance, Mr. Nash, announced that the Government would submit legislation next session, which is not likely to begin before June, to provide for the acquisition by the State of the privately owned shares in the Bank of New Zealand. This course implements the decision made at the Conference of the Labour Party last November.* Mr. Nash stated at the same time that the Government gave the unqualified assurance that all the rights and immunities of customers would remain, that the accounts and records would remain inviolable, that the management would continue as at present, and that, while the general policy of the bank would be determined by the Government, the existing directors would remain, and day-to-day business would be governed by sound banking practice.

The question is pertinently asked in several editorials, "Why then is it intended to acquire the Bank seeing that the Minister has himself acknowledged that not only the Bank of New Zealand, but all banks have done all that is possible to assist the Government within the limit set by banking principles?" That question has not yet been answered, nor has any valid reason been produced in justification of the complete nationalization of the Bank.

It is also pointed out that Mr. Nash's assurance, if he is as sincere as he was when in 1943 he persuaded the Labour Party Conference, with few dissentients, to affirm "that purchase by the State of the Bank of New Zealand and/or other trading banks is at present unnecessary", is valueless. He has stated that the general policy of the Bank will be determined by the Minister of Finance on behalf of the Government, but the Caucus and not the Cabinet is

* See THE ROUND TABLE, March 1945, No. 138.

the real Government; and as the *Manawatu Times* of April 5 asks: "Must it not be deduced that, if as Minister of Finance he has been forced to change his viewpoint with regard to the acquisition of the Bank by the State, he will be likewise in future forced to change his viewpoint yet again and, should that probability come to pass, of what worth will be his assurance now given to the public and the clients of the Bank of New Zealand?"

Mr. Nash's statement has caused widespread uneasiness in the commercial world concerning the future of banking in New Zealand. A statement by the Associated Chambers of Commerce in New Zealand on March 20 affirms that the nationalization of the Bank is

"simply a case of socialization. It is not realized by the general community that private enterprise is being sent to the block piecemeal. The Prime Minister said the Government would never nationalize the coal mines without a mandate from the people, but the Minister of Mines has turned one privately owned coal mine after another into a state-owned concern without let or hindrance from the Prime Minister or the Government as a whole. Now it is the turn of the Bank of New Zealand, and after that will it be the other trading banks, and after that who knows?"

A subsequent statement by the same body says that the reasons for the nationalization of the Bank of New Zealand are (1) to gain a foothold in the trading bank system for the ultimate purpose of completely owning or controlling that system; (2) to secure, as a consequential outcome, the ownership and control of all industry and commerce; (3) to avoid the risk of an unfavourable outcome of a reference to the people for a mandate. After calling attention to the similar objectives of the Australian Federal Labour Government, the statement points out the consequences of political control of the Bank: "the ownership of one bank can give the Government a complete grip on every other bank. It can run them out of business without the need to buy them out." The same body, in a statement on April 2, points out that the trading bank system had their businesses, factories and farms in which policies and decisions are in no sense political at all, "but if the dead hand of officialdom is to be laid on such things in the form of permanent restrictions on banking judgment and accommodation, the largest possible step will have been taken toward making government control of all industry and commerce a permanent thing." Another objection to the Government's decision is that the transaction will, if privately owned shares are purchased at the market price, involve the payment of perhaps £10 million with possible inflationary effects.

THE CONTINUANCE OF IMPORT SELECTION

ANOTHER matter which is causing great concern to the commercial community was the statement by the Minister of Finance on February 27 to the New Zealand Retailers Conference that the Government does not propose to abolish the policy of import selection, and his response to the suggestion of a schedule of priorities for essentials, enabling long-term contracts to be made. Mr. Nash claimed that the policy of import selection was introduced to ensure that the sterling moneys necessary to meet our commitments over-

seas were available at the due date. The Associated Chambers of Commerce immediately challenged the correctness of that statement, and in reply on the following day maintained that, provided the Government earmarked sufficient funds from the proceeds of our exports to meet the national debt service overseas, New Zealand's ability to meet its commitments would be in no wise adversely affected through the abandonment of import selection. It asserted that the Government unjustifiably assumes a complete monopoly over the commodity exchange, and that the effect of import selection, which was introduced before the war, has been completely to hinder the normal course of commerce.

With the approach of the end of the war in Europe, representations were made by United Kingdom and New Zealand manufacturers and the New Zealand Retailers Association, at a deputation to the Minister of Finance, taking a long view of New Zealand's post-war requirements, and to provide against circumstances in which the value of goods exceeded the sterling funds available they drew up a schedule of permitted imports according to the degrees of urgency. The order suggested was (1) those required for reconstruction and rehabilitation; (2) those required for the development of industry in New Zealand; (3) those required for primary production; and (4) necessary civilian requirements. Mr. Nash's reply was that

"With the exception of essential machinery for which import licences within the requirements of the Dominion may be issued upon consideration of individual cases, it is not practicable, before the close of the war with Japan, to determine a policy of expanding licences for imports. The position is governed by the funds available overseas. After meeting the loan and other commitments, the balance of funds available will determine the extent to which import licences may be issued. Import licences will first be granted (a) to meet demands for maintenance and modernizing of machinery and other equipment necessary for the production of essential goods in New Zealand, and (b) for the importation of other essential goods not available from the production of the Dominion."

THE CENSUS AND THE COUNTRY QUOTA

THE Census and Statistics Act of 1926 provides for a census every five years. The Electoral Act of 1927, section 7, provides that, after each census, the Dominion shall be divided by commissions into European electorates according to the population, and that in computing for purposes of the Act the population of New Zealand there shall be added 28 per centum to the rural population: that is, other than urban, which is defined as the population contained in a city or borough having a population exceeding 2,000, or contained in any area within five miles of the chief post office of the cities of Auckland, Christchurch, Dunedin, Wellington.

This country quota as it is generally known first appeared in 1881 as the equivalent of an addition of $33\frac{1}{3}$ per cent to the country population. It was reduced in 1887 to 18 per cent, but increased in 1889 to the present 28 per cent, and has always been taken for granted until the last election. It has been announced by the Government that a census will be taken this year under section 36 of the Finance Act, 1940, which postponed the

quinquennial census due in 1941 to a year to be appointed by the Governor General by proclamation, being not earlier than 1941 and not later than 1945, and provided that the next census to be taken thereafter should be in 1946. The reasons for introducing that legislation in 1940 were stated by the present Minister of Finance to be the depletion of the staff necessary, the heavy cost and the difficulty of obtaining paper. These difficulties still remain.

The announcement has caused much controversy. The Government maintains that the census is now long overdue, and is essential for statistical purposes and the effective organization of post-war projects. The Opposition asserts that the present location of the population is farther from normal than ever before, that large numbers are overseas, and that man-power directions and war requirements have resulted in the temporary concentration of people in the larger centres in a greater degree than ever before, and that the effect of making the present abnormal distribution of the population the basis of parliamentary distribution would be, even if the country quota remained unchanged, to increase the number of city constituencies and to make the country electorates smaller in number and larger geographically. It was in the rural constituencies that Labour suffered defeat.

In *THE ROUND TABLE* for December 1943 the writer of the New Zealand article predicted that this might "raise again the thorny country question". It has done so, for the Opposition declared that the purpose of holding the census this year instead of in a later year when the population would once more be normally distributed was disclosed by Mr. F. Hackett, Labour M.P. for Grey Lynn, when he said without contradiction that legislation is to be introduced this session to abolish the country quota and to revise the electorates so that each, as nearly as possible, may have the same number of voters. This statement has given rise to apprehension on the part of both farmers and business men.

New Zealand,
April 1945.



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